



DRAFT FINANCIAL STATEMENT'S 2010/11

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FINANCIAL FOREWORD

FINANCIAL FOREWORD

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of such a large and diverse organisation as Southampton City Council are by their nature both technical and complex. Consequently this foreword explains some of the statements and sections included within this document and provides a summary of the Council's financial performance for 2010/11.

Local authorities are governed by a rigorous structure of controls to provide stakeholders with the confidence that public money has been properly accounted for. As part of this process of accountability, the Council is required to produce a set of accounts in order to inform stakeholders of the Council that we have properly accounted for all the public money we have received and spent and that the financial standing of the Council is on a secure basis.

The Council's Financial Statements concentrate on clear and accurate reporting of the financial position of the Council in relation to a particular year. It does not however aim to fulfil the role of an annual report of a company. This would duplicate much of the work already published in other documents produced by the Council – in particular the City of Southampton Strategy, the Medium Term Service and Financial Plan and the Corporate Improvement Plan.

The statements and notes are:

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<i>Responsibilities for the Financial Statements</i>	11
This statement shows the responsibilities of the Council and the Chief Financial Officer.	
<i>Comprehensive Income and Expenditure Statement</i>	12
This statement reports the net cost for the year of all the services provided by the Council, including the Housing Revenue Account (HRA) but excluding the Collection Fund. It demonstrates how the costs have been financed from general government grants and income from local taxpayers.	
<i>Movement in Reserves Statement</i>	13
This statement shows the movement in the year on the different reserves held by the Council analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.	
<i>Balance Sheet</i>	14
This shows the financial position of the Council as a whole and summarises all of its assets and liabilities as at 31 March 2011.	
<i>Cash Flow Statement</i>	15
This summarises the cash received and payments made by the Council to third parties for both revenue and capital purposes.	
<i>Notes to the Core Financial Statements (including Accounting Policies)</i>	16-86
<i>Housing Revenue Account (HRA)</i>	87-94
This account summarises the transactions relating to the provision, maintenance and sale of Council houses and flats.	
<i>Collection Fund</i>	95-97
This statement shows the income received from Council Tax payers and Business Rate payers and how the income is distributed.	
<i>Trust and Other Funds</i>	98-101
This statement shows receipts and payments of funds for which the Council acts as trustee.	
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FINANCIAL FOREWORD

FINANCIAL SUMMARY

The Financial Statements bring together all the financial activities of the Council for the year, comprising two distinct elements:

- Revenue (General Fund and Housing Revenue Account)
- Capital (General Fund and Housing Revenue Account)

REVENUE

General Fund Revenue Account Summary

Our revenue account (known as the General Fund) bears the net cost of providing day-to-day services. In this section of the foreword we will:

- Compare actual spending to budget
- Explain the big differences
- Explain where the money came from and
- Show where the money went

Comparing Actual Spending to Budget

Our net expenditure budget for the year was set at £183.3M and was supported by a council tax increase of 2.50% (which gave a Band D Council Tax of £1,239.21 for Southampton City Council).

The total net expenditure budget for the year was financed by:

- £87.44M of business rates (National Non-Domestic Rates from the Pool)
- £12.70M of general government grant (Revenue Support Grant)
- £81.99M of council tax income and
- £1.14M Collection Fund surplus

It also assumed a contribution from general reserves and working balances of £2.3M.

Since the Council set its 2010/11 budget in February 2010, the economic outlook for the economy has remained pessimistic. The level of public debt is a major issue and prior to the General Election in May, it was recognised that any incoming Government would be required to review public spending in order to reduce the debt burden in future years.

Soon after the election, an interim budget was announced by the Government, which outlined major cuts in public spending. At that time £6.2 billion of in year cuts in Government grant were announced of which more than £1.1 billion were targeted at Local Government. The impact of these cuts on the City Council was the withdrawal in round terms of over £4.6M of grants that represented a significant in year cut to funding.

The original budget plans were updated during the course of the year and the contribution from working balances was revised to £3.9M in February. Further changes resulted in an anticipated draw of £6.4M compared to the originally planned £2.3M, an increase of £4.1M.

The final outturn for the year was £185.0M and draw from balances was £1.7M.

Overall, there was a net reduction in the use of the Authority's reserves and general balances in the year of some £4.7M compared with the working budget.

Explaining the Big Differences

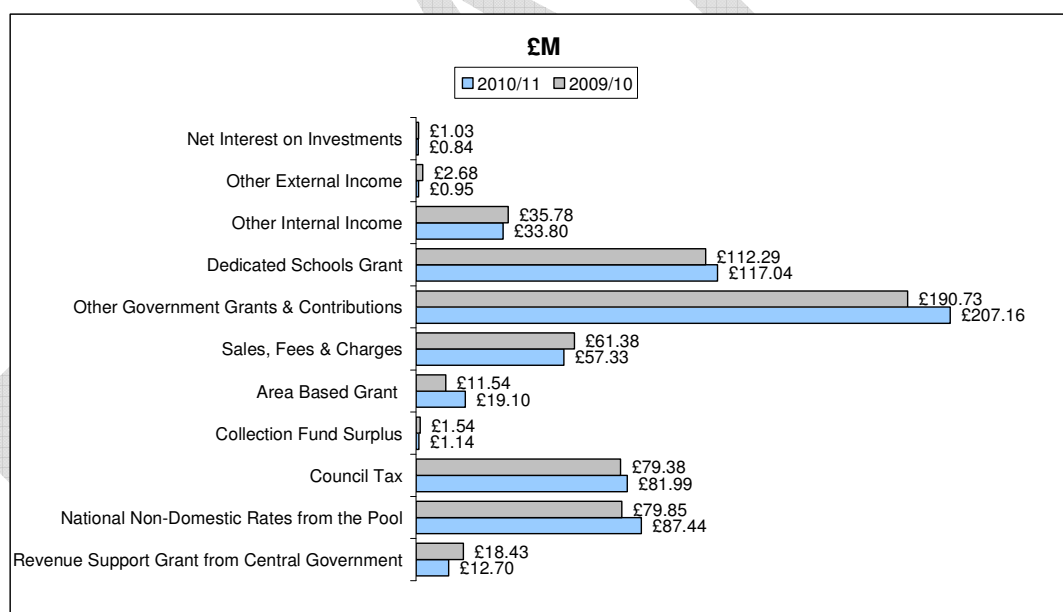
The major variances between the revised budget for the use of reserves and general balances in the year and the actual usage are:

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	£000's
Savings in Portfolio budgets	(2,485)
Reduced net borrowing costs due to lower interest rates and rephasing of the capital programme	(1,652)
Reduction & Re-phasing of Project Costs (Funded from within the Revenue Development Fund)	(235)
Unspent Contingencies	(211)
Other Variances	(73)
	(4,656)

Where the Money Came From

The following chart provides an analysis of our main sources of income for the year which totalled £595.9M and also shows the comparative figures for 2009/10 (£543.9M):



Where the Money Went

The following table provides a high level summary of our net expenditure:

FINANCIAL FOREWORD

GENERAL FUND REVENUE EXPENDITURE 2010/11

Revised Budget £000's	Working Budget £000's	Actual Expenditure £000's	Variance £000's
50,831 Adult Social Care & Health	50,812	51,078	266
29,992 Children's Services & Learning	31,260	31,520	260
22,293 Environment & Transport	25,745	24,125	(1,620)
1,858 Housing	1,858	1,612	(246)
7,341 Leader's Portfolio	7,341	6,676	(665)
8,101 Leisure, Culture & Heritage	8,461	8,414	(47)
10,999 Local Services & Community Safety	11,060	11,058	(2)
38,309 Resources & Workforce Planning	40,874	40,108	(766)
169,724 Sub-total for Portfolios	177,411	174,591	(2,820)
25,596 Other Items	21,537	21,872	335
195,320 Portfolio Total	198,948	196,463	(2,485)
588 Levies & Contributions	588	657	69
(13,052) Capital Asset Management	(13,052)	(14,704)	(1,652)
4,314 Other Expenditure & Income	3,198	2,610	(588)
187,170 NET GF SPENDING	189,682	185,026	(4,656)
(3,900) Draw from Balances:	(6,412)	(1,756)	4,656
183,270 Budget Requirement	183,270	183,270	

Portfolio Expenditure is analysed below by category to explain further where the money went.

	£000's
Salaries & Wages	108,646
Other Employee Costs	9,460
Premises Costs	14,823
Transportation Costs	7,864
Supplies & Services	101,386
Internal Charges	5,643
Other Direct Costs (Includes School Allocations)	217,527
Total Expenditure	465,349
Internal Income	(31,893)
Fees, Charges & Rents	(49,171)
Grants / Contributions	(209,694)
Total Net Expenditure	174,591

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The summary of General Fund Revenue expenditure can no longer be directly reconciled to the Comprehensive Income and Expenditure Account due to the changes in format introduced in 2006/07. At this point, the Consolidated Revenue Account was replaced by the Income and Expenditure Account and the Statement of Movement on the General Fund Balance. Subsequently this has been superseded by the Comprehensive Income and Expenditure Account and the Movement in Reserves Statement.

The analysis of Income and Expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Cabinet and Council on the basis of budget reports analysed by Service Portfolios. These reports are prepared on a different basis in particular:

- No charges are included within Service Portfolios in relation to capital expenditure, whereas depreciation, revaluations and impairments losses are charged to Comprehensive Income and Expenditure Statement
- The cost of retirement benefits is based on actual payments to the pension fund rather than notional current service costs accrued in year.

Note 9 (Amounts Reported for Resource Allocation Decisions) serves to reconcile the financial information reported internally to that reported in the Comprehensive Income and Expenditure Statement for the first time to increase transparency and improve the understanding of stakeholders.

Housing Revenue Account Summary

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sale of Council houses and flats. Although this account is also included within the Core Financial Statements it represents such a significant proportion of the services provided by the Council that it is a requirement that it has a separate account. The account has to be self-financing and there is a legal prohibition on cross subsidising to, or from the council tax payer. In this section of the foreword we will:

- Compare actual spending to budget
- Explain the big differences
- Show where the money came from and where it went

Comparing Actual Spending to Budget

The net expenditure budget for the year was set at £0.4M and the actual outturn for the year was a net income of £34k which represents an underspend of £0.4M. The HRA working balance at 31 March 2011 is £1.6M.

Explaining the Big Differences

The major revenue variances are detailed below:

	£000's
Savings on responsive repairs	(207)
Overspend on programme repairs	68
Savings on Supervision and Management	(287)
Savings on Capital Financing Charges	(221)
Increase in Subsidy paid to DCLG	101
Reduction in Dwelling Rent Income	120
Other variances	3
	(423)

FINANCIAL FOREWORD

Where the Money Came From and Where the Money Went

The following chart provides an analysis of our main sources of income for the year and provides a high level summary of our net expenditure.

	Budget	Actual	Variance
<u>Income</u>	£000's	£000's	£000's
Dwelling Rents	57,118	56,998	120
Other Rents	1,262	1,254	8
Total Rental Income	58,380	58,252	128
Service Charge Income from Tenants	1,100	1,100	0
Service Charge Income from Leaseholders	660	634	26
Interest Received	27	40	(13)
Total Income	60,167	60,026	141
<u>Expenditure</u>			
Responsive Repairs	10,695	10,488	207
Programmed Repairs	5,172	5,240	(68)
Total Repairs	15,867	15,728	139
Rents Payable	53	40	13
Debt Management	47	42	5
Supervision & Management	17,256	16,969	287
Capital financing charges	2,287	2,066	221
Major Repairs Allowance	10,394	10,394	0
Direct Revenue Financing	6,076	6,076	0
Housing Subsidy paid to CLG	8,576	8,677	(101)
Total Expenditure	60,556	59,992	564
SURPLUS/(DEFICIT) FOR YEAR	(389)	34	(423)

The above summary of Housing Revenue Account expenditure, which reflects the Council's actual year end position of £0.4M underspent, can no longer be directly reconciled to the HRA Income and Expenditure Account due to the changes in format introduced in 2006/07. At this point the Income and Expenditure Account was replaced by the Comprehensive Income and Expenditure Account and the Statement of Movements on the HRA Balance.

CAPITAL

General Fund Capital Summary

Our capital account shows the income and expenditure transactions we make when we:

- Buy or sell land, property or other assets
- Build new property
- Improve our properties or other assets and/or
- Provide grants or loans to others for the above type of activity

Comparing Actual Spending to Budget

The budget for the year was to spend £104.6M on capital projects. Our final capital spend for the year was £11.4M less than the budget at £93.2M.

The table below summarises the capital expenditure for the year:

FINANCIAL FOREWORD

	Budget £000's	Actual £000's	Variance £000's
Adult Social Care & Health	926	858	(68)
Children's Services & Learning	29,823	25,565	(4,258)
Environment & Transportation	22,078	17,851	(4,227)
Housing	4,821	4,357	(464)
Leader's	6,933	5,959	(974)
Leisure, Culture & Heritage	6,372	6,352	(20)
Local Services & Community Services	1,499	901	(598)
Resources & Workforce Planning	32,170	31,363	(807)
Total General Fund	104,622	93,206	(11,416)

Explaining the Big Differences

The final spend for the year was £11.4M lower than the budget mainly due to slippage on schemes which will now be spent in 2011/12. Some of the major slippage was on the following schemes:

- Lordshill Academy £2.4M
- City Depot £0.9M
- Accommodation Strategy £0.6M
- Itchen Bridge Major Repairs £0.5M
- Bitterne Park 6th Form £0.5M

Where the Money Came From

The table below shows how we paid for our capital spending:

	£000's
Supported Borrowing	6,840
Unsupported Borrowing	43,682
Capital Receipts	3,798
Capital Grants	31,727
Contributions	3,372
Direct Revenue Financing	3,787
Total	93,206

Housing Revenue Account (HRA) Capital Summary

Our HRA capital account shows the income and expenditure transactions we make when we:

- Improve our properties (including the decent homes and decent homes plus programmes)
- Build new property
- Improve the neighbourhoods surrounding the property
- Implement estate regeneration projects

FINANCIAL FOREWORD

Comparing Actual Spend to Budget

The budget for the year was to spend £35.5M on capital projects. Our final capital spend for the year was £1.9M less than budget at £33.6M.

The table below summarises the capital expenditure for the year:

	Budget £000's	Actual £000's	Variance £000's
Decent Homes	16,280	15,749	(531)
Decent Homes Plus	7,762	7,215	(547)
Decent Neighbourhoods	2,944	2,375	(569)
Estate Regeneration	3,532	3,549	17
New Build	4,894	4,696	(198)
Other Schemes	65	0	(65)
TOTAL	35,477	33,584	(1,893)

Explaining the Big Differences

The final spend for the year was £1.9M lower than the budget mainly due to slippage on schemes which will now be spent in 2011/12. Some of the major slippage was on the following schemes:

- Digital TV - £0.22M
- Energy savings programme - £0.14M
- Decent Neighbourhoods Tankerville - £0.12M
- Decent Neighbourhoods Millbrook Block Improvements - £0.17M
- Estate Regeneration Exford Parade - £0.35M
- Estate Regeneration Hinkler Parade £0.17M
- LA New Build Cumbrian Way £0.35M

Where the Money Came From

The table below shows how we paid for our capital spending:

	£000's
Supported Borrowing	1,496
Unsupported Borrowing	5,304
Capital Receipts	0
Capital Grants / Contributions	6,334
Direct Revenue Financing	10,056
Major Repairs Allowance	10,394
Total	33,584

Reserves and Balances Summary

We maintain a number of earmarked reserves. These are special reserves kept for specific types of expenditure.

We also maintain a general reserve to provide a financial cushion should something unexpected happen that leads to significant unplanned expenditure. The final balance at the end of March 2011 was £17.4M.

FINANCIAL FOREWORD

Our revenue working balance provides us with day-to-day cash flow cover for our revenue account because inevitably there is a mismatch between the money being paid out and the money coming in. We drew £1.7M from working balances in the year.

In the medium term it is forecast that the general reserve will reduce from £17.4M to £4.5M which is the minimum level recommended by the Chief Financial Officer following a risk assessment of the required level to be maintained.

ACCOUNTING ISSUES AND DEVELOPMENTS

The Move to International Financial Reporting Standards (IFRS)

The financial statements for 2010/11 are the first to be prepared on an International Financial Reporting Standards (IFRS) basis, adapted for the public sector by the Code of Practice on Local Authority Accounting (The Code). This has resulted in the restatement of some opening balances and transactions, with the result that some prior year comparative figures in the financial statements for 2010/11 are different from the equivalent figures presented in the 2009/10 financial statements.

The Accounting Policies applied to the 2010/11 Financial Statements have been review and changed, where appropriate, to comply with IFRS (See **Note 5** to the Financial Statements for the full impact on the comparatives).

The main changes are:

- **Property, Plant and Equipment** - Property, Plant and Equipment (previously known as fixed assets) 'have been renamed, reclassified and redefined. The Code also requires changes in the value of investment property to be charged, along with other expenditure and income from investment properties, to the Comprehensive Income and Expenditure Statement.
- **Cash and cash equivalents** - The definition of Cash and Cash Equivalents has changed and they are now represented by cash in hand, deposit accounts and Money Market Funds which are repayable without penalty on notice of not more than 24 hours.
- **Government Grants and Contributions** - Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable and any conditions have been met. Capital Grants & Contributions Unapplied is recorded on the balance sheet as a usable reserve. Grants and contributions with outstanding conditions are credited to Capital Grant Receipts In Advance in the Liabilities section of the Balance Sheet and are not recognised as income until the conditions are met.

Previously, unused grants were held in a Capital Grants & Contributions Unapplied account in the Liabilities section of the Balance Sheet until they were expended, at which point they were transferred to Government Grants & Contributions Deferred account and recognised as income over the life of the assets which they were used to fund.

- **Leases Reclassification** - As part of the implementation of IFRS Financial Reporting the Council has reclassified a number of Plant and Equipment operating leases to finance leases.
- **Short-Term Accumulating Absences** - The Council has made an accrual for the cost of Teacher's Annual Leave entitlement not taken by the year end, in accordance with CIPFA's methodology. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. No Accrual has been made in respect of annual leave and flexi-time carried forward by non-teaching staff as this is considered not to be material.
- **Pension Fund Indexation Change** - In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases were previously determined by reference to the

FINANCIAL FOREWORD

Retail Price Index (RPI).

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI has resulted in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet.

This £100.7M reduction in liabilities, due to the above change, has been accounted for as a (negative) past service cost, and has been treated as an exceptional item both within the Comprehensive Income and Expenditure Statement £90.8M and the HRA Income and Expenditure Statement £9.9M.

- **Revaluation of Property Plant and Equipment** - The Council, as part of its 5 year rolling programme, has revalued a number of properties which has given rise to a downward revaluation of approximately £327.4M, of which £103.8M relates to the General Fund and £223.6M relates to the HRA.

The General Fund amount has been treated as an exceptional item within the Comprehensive Income and Expenditure Statement.

A large proportion of the HRA revaluation decrease, approximately £171M, is due to the reduction in the Economic Use Value for Social Housing (EUV-SH) factor, for the South East, from 45% to 32%.

- **Equal Pay Provision** - The Council received a number of Equal Pay claims in 09/10 and, whilst accepting no liability, the Council made an Equal Pay Provision in the 09/10 Financial Statements to meet any liabilities, which may arise from the litigation process, which was treated as an exceptional item within the Income and Expenditure Account.

However, in accordance with paragraph 97 of Financial Reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Assets), the Council has chosen not to disclose the information that would usually be required to be shown within the Statement of Accounts in relation to the Equal Pay Provision. This was based on the advice of the Monitoring Officer that to disclose the information would seriously prejudice the Council's position with regard to ongoing litigation.

The Council for the 10/11 Financial Statements continues to rely on the provisions contained within Financial Reporting Standard 12 with respect to the above.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

1. The Council's Responsibilities

The Council is required to:

Make arrangements for the proper administration of its financial affairs and to secure that one of its Officers has the responsibility for the administration of those affairs. In this Council that Officer is the Head of Finance.

Manage its affairs to secure economic, efficient use of resources and safeguard assets.

Approve Financial Statements.

2. The Chief Financial Officer's Responsibilities

The Council's Chief Financial Officer (CFO) is the Head of Finance. The CFO is responsible for the preparation of the Council's Financial Statements which, in terms of the CIPFA/LASAAC "Code of Practice on Local Authority Accounting in Great Britain", is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing the Financial Statements the CFO is responsible for:

- Selecting suitable accounting policies and then applying them consistently.
- Making judgements and estimates that are reasonable and prudent.
- Complying with the Code of Practice (any significant non-compliance being fully disclosed).

The CFO also has responsibilities for:

- Keeping proper accounting records, which are up to date.
- Taking reasonable steps for the prevention and detection of fraud and other irregularities.

3. Certification of the Accounts

I certify that the Financial Statements presents the true and fair position of Southampton City Council at 31st March 2011 and its income and expenditure for the year ended 31 March 2011.

Signed **A Lowe** _____

Date 30 June 2011

Head of Finance and Chief Financial Officer

4. Approval of the Accounts

I certify that the Financial Statements have been approved by a resolution of the Standards and Governance Committee in accordance with the Accounts and Audit Regulations 2003 and is authorised for issue.

Signed **B Hooper** _____

Date 30 September 2011

Chair, Standards and Governance Committee.

THE FINANCIAL STATEMENTS

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Restated			2009/10	Notes	2010/11	
<u>Expenditure</u>	<u>Income</u>	<u>Net</u>		<u>Expenditure</u>	<u>Income</u>	<u>Net</u>
£000's	£000's	£000's		£000's	£000's	£000's
26,874	(20,622)	6,252	Central Services to the Public	28,809	(21,881)	6,928
85,579	(35,638)	49,941	Cultural, Environmental Regulatory and Planning Services	77,809	(29,070)	48,739
231,957	(173,093)	58,864	Children's and Education Services	249,425	(191,032)	58,393
29,839	(16,531)	13,308	Highways and Transport Services	28,693	(16,019)	12,674
54,910	(85,798)	(30,888)	Local Authority Housing (HRA)	269,084	(63,668)	205,416
114,181	(108,877)	5,304	Other Housing Services	122,948	(109,415)	13,533
87,547	(28,606)	58,941	Adult Social Care	90,250	(29,617)	60,633
5,278	(409)	4,869	Corporate and Democratic Core	5,408	(430)	4,978
3,799	(36)	3,763	Non Distributable Costs	6,530	(36)	6,494
			Exceptional Items			
			Past Service Pension Costs	(90,834)		(90,834)
			Impairment on Assets	103,794		103,794
			Equal Pay Provision			0
			Vat Refund - Fleming Cases			0
	(2,733)	(2,733)				
639,964	(472,343)	167,621	Cost of Services	891,916	(461,168)	430,748
		(818)	Loss / (Gain) on the disposal of Fixed Assets			18,800
		593	Contributions to Other Local Authorities (note 12)			657
		1,704	Contributions of Housing Capital Receipts to Government Pool			1,408
		1,479	Other Operating Expenditure			20,865
		(19,112)	Income and Expenditure in relation to Investment Properties and changes in their fair value (note 15)			(5,619)
		8,093	Interest payable and similar charges (note 13)			10,535
		(1,575)	Interest and Investment Income (note 13)			(1,839)
		22,520	Pensions Interest Costs & Expected Return on Assets			13,400
		9,926	Financing, and Investment Income & Expenditure			16,477
		(80,960)	Council Tax Income			(83,169)
		(79,846)	Non - Domestic Rates Redistribution			(87,437)
		(29,974)	General Government Grants			(33,448)
		(19,195)	Capital Grants and Contributions			(28,599)
		(209,975)	Taxation and Non-Specific Grant Income			(232,653)
		(30,949)	Deficit / (Surplus) on the Provision of Services			235,437
		(5,733)	Surplus or deficit on revaluation of non current assets			(77,773)
		(12)	Surplus or deficit on revaluation of available for sale financial assets			(77)
		94,850	Actuarial (gains) / losses on pension assets / liabilities			(14,980)
		0	Share of other Comprehensive Expenditure & Income of associates & joint ventures			0
		89,105	Other Comprehensive Income and Expenditure			(92,830)
		58,156	Total Comprehensive Income and Expenditure			142,607

THE FINANCIAL STATEMENTS

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserve	Unusable Reserves	Total Authority Reserve
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 April 2010	(19,849)	(22,225)	(1,588)	(1,074)	0	(9,720)	(54,457)	(982,174)	(986,631)
Movement in Reserves during 2010/11									
Surplus on provision of services (accounting basis)	32,083	0	203,344	0	0	0	235,437		235,437
Other comprehensive income and expenditure	0						0	(92,830)	(92,830)
Total Comprehensive Income and Expenditure	32,083	0	203,344	0	0	0	235,437	(92,830)	142,607
Adjustments between accounting basis and funding basis under regulations (note 10)	(35,207)	0	(198,806)	333	0	(3,657)	(237,337)	237,345	8
Net Increase before Transfers to Earmarked Reserves	(3,114)	0	4,538	333	0	(3,657)	(1,900)	144,515	142,615
Transfers (to) / from earmarked reserves (note 11)	5,569	(1,596)	(4,572)	(1,000)	0	1,593	(6)	(2)	(8)
Increase / Decrease in Year	2,455	(1,596)	(34)	(667)	0	(2,064)	(1,906)	144,513	142,607
Balance at 31 March 2011	(17,394)	(23,821)	(1,623)	(1,741)	0	(11,784)	(56,363)	(787,661)	(844,024)

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserve	Unusable Reserves	Total Authority Reserve
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 April 2009	(15,316)	(23,612)	(2,387)	(6,015)	0	(7,700)	(55,030)	(989,757)	(1,044,787)
Movement in Reserves during 2009/10									
Surplus on provision of services (accounting basis)	(2,912)	0	(28,037)	0	0	0	(30,949)		(30,949)
Other comprehensive income and expenditure	0						0	89,105	89,105
Total Comprehensive Income and Expenditure	(2,912)	0	(28,037)	0	0	0	(30,949)	89,105	58,156
Adjustments between accounting basis and funding basis under regulations (note 10)	(4,066)	0	32,668	4,941	0	(2,020)	31,523	(31,538)	(15)
Net Increase before Transfers to Earmarked Reserves	(6,978)	0	4,631	4,941	0	(2,020)	574	57,567	58,141
Transfers (to) / from earmarked reserves (note 11)	2,445	1,387	(3,833)	0	0	0	(1)	16	15
Increase / Decrease in Year	(4,533)	1,387	798	4,941	0	(2,020)	573	57,583	58,156
Balance at 31 March 2010	(19,849)	(22,225)	(1,588)	(1,074)	0	(9,720)	(54,457)	(982,174)	(986,631)

THE FINANCIAL STATEMENTS

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold and also includes reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

<u>31 March</u> <u>2009</u> £000's	<u>31 March</u> <u>2010</u> £000's		<u>Notes</u>	<u>31 March 2011</u> £000's	£000's
1,438,691	1,501,283	Property Plant & Equipment	14	1,303,255	
123,957	133,567	Investment Property	15	130,625	
712	609	Intangible Assets	16	1,288	
9,351	6,412	Long Term Investments	17	6,489	
2,907	2,643	Long Term Debtors	19	2,333	
1,575,618	1,644,514	Long Term Assets			1,443,990
15,260	30,019	Short Term Investments	17	29,559	
1,239	1,340	Stock (Inventories)	18	1,050	
48,110	56,932	Short Term Debtors	19	72,663	
(13,308)	(12,864)	- Impairment of Short Term Debtors		(12,720)	
6,814	10,821	Cash & Cash Equivalents	20	40,746	
58,115	86,248	Current Assets			131,298
(2,470)	(5,689)	Cash & Cash Equivalents	20	(13,499)	
(49,853)	(51,078)	Short Term Borrowing	17	(49,311)	
(64,061)	(75,336)	Short Term Creditors	21	(82,840)	
(116,384)	(132,103)	Current Liabilities			(145,650)
(53,034)	(51,698)	Long Term Creditors		(50,166)	
(8,252)	(9,081)	Provisions	22	(3,628)	
(79,279)	(104,920)	Long Term Borrowing	17	(176,492)	
		Other Long Term Liabilities	17		
(19,987)	(19,188)	- Deferred Liabilities		(18,420)	
(92)	(58)	- Deferred Capital Balances		(41)	
(13,948)	(18,093)	- Cap. Grants & Conds Receipts in Advance		(33,317)	
(297,970)	(408,990)	- Pension Fund Liability		(303,550)	
(472,562)	(612,028)	Long Term Liabilities			(585,614)
1,044,787	986,631	Net Assets			844,024
		Useable Reserves			
6,015	1,074	Useable Capital Receipts Reserve	10	1,741	
7,700	9,720	Cap. Grants & Conds Unapplied	10	11,784	
23,612	22,225	Earmarked Revenue Reserves	11	23,821	
		Revenue Balances			
15,316	19,849	General Fund	10	17,394	
2,387	1,589	Housing Revenue Account	10	1,623	
55,030	54,457				56,363
		Unuseable Reserves			
37,824	42,548	Revaluation Reserves	24 (a)	117,280	
334	346	Available-for-Sale Financial Instruments Reserve	24 (b)	423	
1,248,239	1,297,199	Capital Adjustment Account	24 (c)	971,905	
327	621	Financial Instruments Adjustment Account	24 (d)	624	
(297,970)	(408,990)	Pension Reserve	24 (e)	(303,550)	
3,427	3,467	Collection Fund Adjustment Account	24 (f)	3,499	
(2,424)	(3,017)	Accumulated Absences Account	24 (g)	(2,520)	
989,757	932,174				787,661
1,044,787	986,631				844,024

Signed: **B Hooper** _____

Chair, Standards and Governance Committee

THE FINANCIAL STATEMENTS

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

<u>2009/10</u> £000's Restated		Notes	<u>2010/11</u> £000's
30,949	Net surplus or (deficit) on the provision of services		(235,437)
256,271	Adjustment to surplus or deficit on the provision of services for noncash movements	25(a)	625,270
<u>(253,112)</u>	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	25(a)	<u>(381,914)</u>
34,108	Net Cash flows from operating activities		7,919
(53,773)	Net Cash flows from Investing Activities	25(c)	(41,978)
20,453	Net Cash flows from Financing Activities	25(d)	56,174
788	Net increase or decrease in cash and cash equivalents		22,115
4,344	Cash and cash equivalents at the beginning of the reporting period	25(e)	5,132
<u>5,132</u>	Cash and cash equivalents at the end of the reporting period	25(e)	<u>27,247</u>

1. Accounting Policies

a) General Principles

The Financial Statements summarise the Council's transactions for the 2010/11 financial year and its position at the year-end of 31st March 2011. The Council is required to prepare an annual Financial Statement by the Accounts and Audit Regulations 2003 which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Financial Statements is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

b) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

c) Acquisitions and Discontinued Operations

Transactions relating to Acquired and Discontinued Operations are separately disclosed within the Comprehensive Income and Expenditure Statement and the Balance Sheet including comparatives as required by the Code of Practice.

d) Cash and Cash Equivalents

Cash and cash equivalents are represented by cash in hand, deposit accounts and Money Market Funds which are repayable without penalty on notice of not more than 24 hours.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

e) Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

f) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

NOTES TO THE CORE FINANCIAL STATEMENTS

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively, (unless stated otherwise), by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

g) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, in accordance with the requirements of the Local Government Act 2003, the Council is required to set aside a Minimum Revenue Provision (MRP) for repayment of debt. This is based on the Capital Financing Requirement (as defined by the Act) at the end of the preceding financial year, which replaced the detailed formula for calculating MRP, with a requirement to be prudent. For capital expenditure incurred before 1st April 2008 the Council's policy is to adopt existing practice (4% of capital financing requirement). The exception to this is short life assets (e.g. vehicles) where MRP has been calculated based on asset lives.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account (CAA) in the Movement in Reserves Statement (MiRS) for the difference between the two.

h) Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of Teachers' annual leave entitlement not taken by the year end, in accordance with CIPFA's methodology. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. No accrual has been made in respect of annual leave and flexi-time carried Forward by non-teaching staff as this is not considered to be material.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace

NOTES TO THE CORE FINANCIAL STATEMENTS

them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by Hampshire County Council

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

As part of the Council's Strategic Services Partnership contract, Capita has admitted body status within the Hampshire pension fund. The staff that transferred to Capita are treated as being part of Southampton City Council (SCC) for accounting and reporting purposes in respect of pensions. As part of the agreement between SCC and Capita, all (or nearly all) pension risks, and assets and liabilities lie with SCC. Capita is under a legal obligation to pay the employee and employer contributions to Hampshire Pension Fund direct. SCC then reimburse as a 'pass through' cost the full cost to Capita of the employers contributions they have incurred – in effect meaning that SCC has funded the employer contributions incurred for transferred Capita staff.

The accounting treatment in relation to the pension costs and liabilities of the staff transferred to Capita is as follows:

- Assets and Liabilities of the fund will not be split between SCC and Capita – so the 'Liability Related to Defined Benefit Pension Scheme' under Long Term Liabilities in the balance sheet will include the total liability in respect of both SCC employees and employees now transferred to Capita.
- The total amount charged to Net Cost of Service in the Income & Expenditure Account will therefore include the total value of Current Service Costs and Past Service costs as provided by the actuaries; this figure will therefore include the cost of retirement benefits earned by both SCC employees and employees transferred to Capita.
- The Pension Interest Costs & Expected Return on Assets in the Income & Expenditure Account will be reflective of SCC's share – including the Capita element.
- The SCC actual pension fund contributions for 2010/11 will be excluded from SCC's accounts, and will be a reconciling item in the Movement in Reserves Statement.
- The accounts will therefore reflect the full IAS19 position of the Council including the Capita element.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Hampshire County Council pension scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees
- Liabilities are discounted to their value at current prices, using a discount rate based on the AA corporate bond rate as required by the SORP.
- The assets of the Hampshire County Council pension fund attributable to the Council are included in the balance sheet at fair value:

NOTES TO THE CORE FINANCIAL STATEMENTS

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

The change in the net pensions' liability is analysed into seven components:

1. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
2. Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
3. Interest cost - the expected increase in the present value of liabilities during the year as they move one year closer to being paid - debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
4. Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
5. Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to Surplus or Deficit on the Provision of Service in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
6. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
7. Contributions paid to Hampshire County Council – cash paid as employer's contributions to the pension fund in settlement of liabilities, not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the Council by £303.55M in 2010/11 and by £408.99M in 2009/10.

The total liability of £303.55M has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be made good over time by increased contributions by the Council and employees over the remaining working life of employees, at a level assessed by the scheme actuary. For further information please see **note 39**.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year in which the liability arises to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

i) Events After the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of events can be identified:

NOTES TO THE CORE FINANCIAL STATEMENTS

- Those that provide evidence of conditions that existed at the end of the reporting period – the Financial Statements are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Financial Statements are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. For Southampton City Council this date has been determined as the 30 June 2011.

j) Financial instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of amortising to revenue the premium over the lifetime of either the repaid loan or any replacement loan, whichever is greater. Discounts must be amortised over the lesser of the remaining lifetime of the repaid loan or 10 years.

The write-off period for the HRA is also on a straight -line basis over the lesser of the unexpired period of the redeemed loan or ten years.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

NOTES TO THE CORE FINANCIAL STATEMENTS

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and that interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of the likelihood arising from a past event that payments under the contract will not be made, the asset is written and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Soft Loans

Local authorities sometimes make loans for policy reasons rather than as financial instruments and these loans may be interest-free or at rates below prevailing market rates. For Southampton City Council, the difference between the effective rate of interest and the contractual rate of interest is not deemed to be material to the accounts and therefore has not been accounted for in the Comprehensive Income and Expenditure Statement.

Southampton City Council grants the following types of soft loans:

- **Car and Cycle Loans**
- **Season Ticket Loans**
- **Welfare Loans**

The Council also provides **Private Sector Home Improvement Loans**. These are granted for private sector home owners to make improvements to their properties. This is treated as capital expenditure and written off to revenue as Revenue Expenditure funded from Capital under Statute. The loans are interest free and only become repayable when the property is sold. As these loans are treated as capital expenditure, no debtor is held in the Balance Sheet and as the period of the loan is unknown, they have not been accounted for under the Soft Loan provisions.

Available for Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of the financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price;
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

NOTES TO THE CORE FINANCIAL STATEMENTS

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale-Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the instrument has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows, discounted at the asset's original effective interest rate. Otherwise the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment of amortisation).

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be reliably measured, the instrument is carried at cost (less any impairment losses).

k) Foreign Currency Transaction

The Council does not undertake any material foreign currency transactions.

l) Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) line in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

m) Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

n) Interests in Companies and Other Entities

The Council reviews annually any Interests in Companies and Other Entities for any Financial Relationships which under the Code of Practice classification would require the Council to produce Group Accounts.

In 2010/11 there were no relationships which would require the Council to produce Group Accounts.

o) Inventories and Long-Term Contracts

Where possible stock and work in progress are valued in the Balance Sheet at the lower of cost, or net realisable value. There are two notable exceptions to this rule in the accounts:

- The Council's Central Stores stock has been valued on an "Average Cost" basis.
- Housing Repairs "Schedule of Rates" work is valued at cost plus overheads and profit.

Where there is internal work in progress it has been eliminated when the accounts are consolidated.

p) Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or the production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-

NOTES TO THE CORE FINANCIAL STATEMENTS

end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

q) **Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

r) **Leases**

Leases are classified as finance leases where the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds

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towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

s) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

NOTES TO THE CORE FINANCIAL STATEMENTS

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure within the cost of services.

t) Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price and
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

NOTES TO THE CORE FINANCIAL STATEMENTS

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement unless the decrease is considered to be exceptional in nature.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement unless the impairment is considered to be exceptional in nature.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately to the extent that the components asset lives differ significantly.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the

NOTES TO THE CORE FINANCIAL STATEMENTS

loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

u) Private Finance Initiatives (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – a percentage interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

NOTES TO THE CORE FINANCIAL STATEMENTS

- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

v) Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provision for Back Pay Arising from Unequal Pay Claims

The Council received a number of Equal Pay claims and made a provision in the 2009/10 Accounts to meet any liabilities arising from the litigation process. It is important to note at this juncture that the Council has applied in full the Equal Pay Capitalisation Direction, in accordance with section 16(2)(b) of the Local Authorities Capital finance and Accounting Regulations 2003 enabling any Expenditure on Equal Pay Claims to be treated as Capital Expenditure. This means that the impact on the Comprehensive Income and Expenditure Statement in 2009/10 was neutralised by a movement within the Statement of Movement on the General Fund Balance i.e. there was impact on the Council's retained surplus for the year of £4.533M.

However, in accordance with paragraph 97 of Financial Reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Assets), the Council chose not to disclose the information usually required to be shown within the Statement of Accounts in relation to the Equal Pay Provision. This was based on the advice of the Monitoring Officer that to disclose the information would seriously prejudice the Council's position with regard to ongoing litigation. The Council's position remains unchanged for 2010/2011 and continues to report in accordance with Paragraph 97 of FRS12.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not

NOTES TO THE CORE FINANCIAL STATEMENTS

wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

w) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

x) Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

y) Value Added tax

All Income and expenditure, whether capital or revenue in nature, excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

The Council followed the HMRC guidance to manage the change in the standard rate of VAT (4 January 2011) from 17.5% to 20%, ensuring that VAT continued to be correctly accounted for.

z) Strategic Services Partnership with Capita

On 1 October 2007, the Council signed a ten year strategic services partnership contract with Capita. The contract, which involved the TUPE transfer of approximately 650 employees to Capita, delivers a wide range of services including Customer Services, IT, Property and the administration of HR, Payroll, Revenue & Benefits and Procurement.

As part of the contract the majority of the Council's IT assets transferred in ownership to Capita. The contract charges from Capita take account of the fact that we have donated the assets to the contract, i.e. the contract charges would have been higher if we had not donated the assets or if we had charged an amount for them.

The contract did not state what this reduction in charges was. Neither was it possible to estimate the open market value of the assets. Therefore, as the IT assets held on the Balance Sheet had been

NOTES TO THE CORE FINANCIAL STATEMENTS

originally recognised at cost and were being depreciated over short lives relevant to the nature of the assets, the Net Book Value (NBV) (£3.2M) was deemed to be a reasonable approximation to the fair value. The transferred assets have been written out of the Balance Sheet.

A balance for Deferred Consideration (within Long Term Debtors) has been established with the NBV of the assets. The deferred consideration is then written down to zero over the 10 year life of the contract with the debit entry being to the Comprehensive Income and Expenditure Statement. This is then reversed out through the Movement in Reserves Statement.

As the Council has effectively lent Capita the fair value of the assets, which Capita is repaying in instalments over the ten year contract by a reduction in the contract payments, the notional interest related to the value of the assets has been posted to the Comprehensive Income and Expenditure Statement. This has also been reversed out through the Movement in Reserves Statement.

This accounting treatment is consistent with the accounting treatment of donated assets on PFI contracts

aa) Collection Fund

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council tax and national non-domestic rates (NNDR). The fund's key features relevant to accounting for Council tax in the core financial statements are:

- In its capacity as a billing authority the Council acts as agent; it collects and distributes Council Tax income on behalf of the major preceptors and itself.
- While the Council Tax income for the year credited to the Collection Fund is the accrued income for the year regulations determine when it should be released from the Collection Fund and transferred to the General Fund of the billing authority or paid out of the Collection Fund to major preceptors.
- Up to 2009/10 the SORP required the Council Tax income included in the Comprehensive Income and Expenditure Statement to be that which under regulation was required to be transferred from the Collection Fund to the General Fund of the billing authority.
- From the year commencing 1st April 2009 the Council Tax income included in the Comprehensive Income and Expenditure Statement for the year shall be the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the Collection Fund shall be taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

Since the collection of Council Tax and NNDR Income is in substance an agency arrangement:

- Cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers and
- Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

ab) Trust Funds

The Council is sole trustee of several trust funds. As required by the Statement of Recommended Practice the funds do not represent assets of the Council and have not been included into the Council's Balance Sheet. For details of the Trust Fund **see *Trust and Other Funds section***.

ac) Regeneration Budgets

Southampton City Council is the Accountable body for the regeneration programmes for the Government Office for the South East (GOSE).

The Council is responsible for the successful delivery of New Deal for Communities programme that has been awarded to the City. A Partnership Board of local residents and agencies manages the programme.

The grant is helping to significantly improve the quality-of-life for the residents in the target area of Thornhill.

Community Regeneration's main aims are to build capacity and to deliver benefits to local communities through lifelong learning, access to employment, better community safety, better health and housing improvements.

2. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully by the Council in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Council, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Council's Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collections of assets and artefacts either exhibited or stored in the local authority museums. The four principal collections of heritage assets held in the museums include:

- Ceramics, porcelain work and figurines
- The art collection
- Pottery machinery and ephemera and
- The archaeological collection.

It is not possible at this stage to estimate the value of these assets and the impact the changes will have on the Balance Sheet (for carrying values and revaluations) and the Comprehensive Income and Expenditure Statement (for depreciation and impairment charges).

3. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements that have the most significant effect on the amounts in the Financial Statements are:

Asset reclassifications – The Council has made judgements on whether assets are classified as Investment Property, or Property, Plant and Equipment. These judgements are based on the main reason that the Council is holding the asset. If the asset is used in the delivery of services or is occupied by third parties that are subsidised by the Council it is deemed to be a Property, Plant and Equipment asset. If there is no subsidy and/or a full market rent being charged this would indicate that the asset is an Investment Property. The classification determines the valuation method used.

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Lease classifications – The Council has made judgements on whether lease arrangements are finance or operating leases e.g. the treatment of all property ground rents as operating leases. These judgements are based on a series of tests designed to assess whether the risks and rewards of ownership have been transferred from the lessor to the lessee. The results of the tests are taken “in the round” and a decision has been made. The accounting treatment for finance and operating leases is significantly different (see Accounting Policies on Leases) and could have a significant effect on the Financial Statements.

PFI and Similar Contracts – The Council has made judgements as to whether PFI and Similar Contracts require to be accounted for on Balance Sheet. These judgements are based on whether the Council controls or regulates what services the operator provides with the infrastructure, to whom it must provide them and at what price, and whether the Council controls through ownership, beneficial entitlement or otherwise – any significant residual interest in the infrastructure at the end of the arrangement.

Contractual arrangements – The Council has made judgements on whether its contractual arrangements contain embedded leases (i.e. arrangements that are not legally leases but take the form of payments in return for the use of specific assets).

Future funding for local government - There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

Providing for potential liabilities – The Council has made judgements about the likelihood of pending liabilities and whether a provision or a contingent liability should be made. The judgements are based on the degree of certainty around the results of pending legal actions.

Doubtful debts allowances – The Council has made judgements about the level of doubtful debts and allowances that it needs to provide for. These judgements are based on historical experience of debtor defaults adjusted for the current economic climate.

4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain.

Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31st March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £0.8M if the useful lives was reduced by one year.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the	The effects on the net pensions liability of changes in individual assumptions can be measured. For

NOTES TO THE CORE FINANCIAL STATEMENTS

	discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	instance, a 0.5% increase in the discount rate assumptions would result in a decrease in the pension liability of £61.32M. However, the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pensions liability had increased by £3.13M as a result of estimates being corrected as a result of experience and decreased by £12.01M attributable to updating of the assumptions.
Arrears	At 31 March 2011, the Council had a balance of sundry debtors of £8.5M. The current level of impairment allowance, based on previous experience, is £2.2M i.e. 26%.	If collection rates were to deteriorate, increasing our impairment rate to 50% would require an additional £2.1M to set aside as an allowance.

5. The Move to International Financial Reporting Standards (IFRS)

The financial statements for 2010/11 are the first to be prepared on an International Financial Reporting Standards (IFRS) basis, adapted for the public sector by the Code of Practice on Local Authority Accounting (The Code). This has resulted in the restatement of some opening balances and transactions, with the result that some prior year comparative figures in the financial statements for 2010/11 are different from the equivalent figures presented in the 2009/10 financial statements.

The most significant differences and their reasons are explained below:

Property, Plant and Equipment

Property, Plant and Equipment (previously known as fixed assets) have been renamed, reclassified and redefined. The Code also requires changes in the value of investment property to be charged, along with other expenditure and income from investment properties, to the Comprehensive Income and Expenditure Statement. This means that the Investment Property Revaluation Reserve is no longer required, the brought Forward balance at 1 April 2009 of £14.8M has been written off to the Capital Adjustment Account(CAA), and the £5.0M increase in 2009/10 has been initially credited to the Comprehensive Income and Expenditure Account before being also transferred to the CAA via the Movement in Reserves Statement.

See Reserves Table on page 38

Cash and Cash Equivalents

The definition of cash and cash equivalents has changed and are represented by cash in hand, deposit accounts and Money Market Funds which are repayable without penalty on notice of not more than 24 hours.

Impact on Current Assets:

NOTES TO THE CORE FINANCIAL STATEMENTS

Current Assets	31 March 2009	31 March 2010
<u>Cash & Cash Equivalents</u>	£000's	£000's
Balance 2009/10 Accounts	174	176
Reclassification of Short-Term Investments to Cash	6,640	10,645
Restated Balance	6,814	10,821
<u>Short-Term Investments</u>	£000's	£000's
Balance 2009/10 Accounts	21,900	40,664
Reclassification of Short-Term Investments to Cash	(6,640)	(10,645)
Restated Balance	15,260	30,019

Capital Grants and Contributions

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable and any conditions have been met. Capital Grants & Contributions Unapplied is recorded on the balance sheet as a usable reserve. Grants and contributions with outstanding conditions are credited to Capital Grant Receipts In Advance in the Liabilities section of the Balance Sheet and are not recognised as income until the conditions are met.

Previously, unused grants were held in a Capital Grants & Contributions Unapplied account in the Liabilities section of the Balance Sheet until they were expended, at which point they were transferred to Government Grants & Contributions Deferred account and recognised as income over the life of the assets which they were used to fund.

In addition, some Grants and Contributions Unapplied balances that were incorrectly shown within creditors have been reclassified i.e. 1 April 2009 £0.594M and 1 April 2010 £0.752M (See Restated Balance Sheets below).

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- At 1 April 2009 Grants and Contributions held in Capital Grants & Contributions Unapplied that have outstanding conditions £13.948M, after the reclassifications noted above, have been transferred to Capital Grants & Contributions Receipts In Advance. The balance of £7.7M with no conditions has been transferred to Capital Grants and Contributions Unapplied Reserve. The corresponding balances at 1 April 2010 were £18.093M and £9.720M respectively.
- The £43.5M balance on the Government Grants & Contributions Deferred Account as at 1st April 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Government Grants & Contributions Deferred that were amortised in 2009/10 of (£1.727M) have been removed from, and Government Grants and Contributions previously deferred in 2009/10 of £13.620M have been added to, the Comprehensive Income and Expenditure Statement in the comparative figures.
- Capital Grants and Contributions Unapplied Reserve increase in 2009/10 of £2.020M has also been added to the Comprehensive Income and Expenditure comparative figures as required.

For impact on the Balance Sheet See Tables on **page 37**

Leases Reclassification

As part of the implementation of IFRS Financial Reporting the Council has reclassified a number of Plant and Equipment operating leases to finance leases.

The financial statements have been amended as follows:

- The council has recognised an asset and a finance lease liability;
- The operating lease charge has been removed from the net cost of services;

NOTES TO THE CORE FINANCIAL STATEMENTS

- A depreciation charge has been included in the net cost of services;
- The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). The transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year;
- The interest element of the lease payment is charged to the Interest Payable and Similar Charges line in the Surplus or Deficit on the Provision of Services.

Impact on Property, Plant and Equipment:

Property, Plant and Equipment			
Vehicles, Plant & Equipment	Cost £000's	Depn £000's	NBV £000's
Opening Balance 2009/10 (2009/10 Accounts)	7,875	(2,244)	5,631
Finance Leases Reclassification 1 April 2009	6,207	(1,840)	4,367
Restated 1 April 2009 Balance	14,082	(4,084)	9,998
Closing Balance 2009/10 (2009/10 Accounts)	10,954	(2,802)	8,152
Finance Leases Reclassification 1 April 2009	6,207	(1,840)	4,367
Finance Lease Additions 2009/10	1,627	-	1,627
Depreciation Charge 2009/10		(1,310)	(1,310)
Restated 31 March 2010 Balance	18,788	(5,952)	12,836

Impact on Creditors:

Creditors (Current liabilities)	31 March 2009 £000's	31 March 2010 £000's
Balance 2009/10 Accounts	(61,125)	(71,677)
Finance Leases Reclassification 1 April 2009	(1,106)	(1,089)
Teacher's Holiday Pay Accrual	(2,424)	(3,017)
Finance Lease Additions 2009/10		(305)
Reclassified to Grants & Contributions receipts in advance	594	752
Restated Balance	(64,061)	(75,336)

Impact on Long Term Liabilities:

NOTES TO THE CORE FINANCIAL STATEMENTS

Long Term Liabilities	31 March 2009	31 March 2010
<u>Finance Creditor</u>	£000's	£000's
Balance 2009/10 Accounts	(50,301)	(48,929)
Finance Leases Reclassification 1 April 2009	(2,733)	(2,733)
Transfer to Current Creditors		1,089
Finance Lease Additions 2009/10		(1,125)
Restated Balance	<u>(53,034)</u>	<u>(51,698)</u>
<u>Government Grants & Contributions Deferred</u>	£000's	£000's
Balance 09/10 Accounts	(43,535)	(55,428)
No longer Required - Written Off to the Capital Adjustment Account(CAA)	43,535	43,535
09/10 Increase written off to the CAA via the Comprehensive I&E Statement		11,893
Restated Balance	<u>0</u>	<u>0</u>
<u>Capital Grants & Contributions Receipts in Advance</u>	£000's	£000's
Balance 2009/10 Accounts	(21,054)	(27,061)
Transferred to Capital Grants and Contributions Unapplied Reserve	7,700	7,700
2009/10 Movement transferred to Capital Grants and Contributions Unapplied Reserve via the Comprehensive I & E Statement		2,020
Reclassified from Creditors	(594)	(752)
Restated Balance	<u>(13,948)</u>	<u>(18,093)</u>

Short-Term Accumulating Absences

The Council has made an accrual for the cost of Teachers' Annual Leave entitlement not taken by the year end, in accordance with CIPFA's methodology. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs. No Accrual has been made in respect of annual leave and flexi-time carried Forward by non-teaching staff as considered not material.

For impact on Balance Sheet see Creditors Table above and Reserves Table below:

NOTES TO THE CORE FINANCIAL STATEMENTS

Total Reserves	31 March 2009	31 March 2010
Revaluation Reserve	£000's	£000's
Balance 2009/10 Accounts	53,205	85,258
GF - Investment Revaluation Reserve written off to the CAA	(14,824)	(14,824)
HRA - Investment Revaluation Reserve written off to the CAA	(557)	(557)
GF - Investment Revaluation 2009/10 Written off to CAA via the Comprehensive I & E Statement		(4,996)
PYA - 2009/10 HRA Revaluation Increase written off the to the CAA via the HRA (Reversing Previous impairments incorrectly treated in 09/10)		(22,333)
Restated Balance	37,824	42,548
Capital Adjustment Account	£000's	£000's
Balance 2009/10 Accounts	1,188,795	1,198,540
Finance Leases Reclassification 1 April 2009	528	528
Finance Leases Reclassification 1 April 2009 - 2009/10 Depn		(1,310)
Finance Leases Reclassification 1 April 2009 - 2009/10 MRP		1,106
Finance Leases Additions - 2009/10 MRP		197
Government Grants & Contributions Deferred Write Off 2009/10 Increase written off to the CAA via the Comprehensive I&E Statement	43,535	43,535
GF - Investment Revaluation Reserve written off to the CAA	14,824	14,824
HRA - Investment Revaluation Reserve written off to the CAA	557	557
GF - Investment Revaluation 09/10 Written off to CAA via the Comprehensive I & E Statement		4,996
PYA - 2009/10 HRA Revaluation Increase written off the to the CAA via the HRA (Reversing Previous impairments incorrectly treated in 2009/10)		22,333
Restated Balance	1,248,239	1,297,199
Short-Term Accumulating Compensated Absences	£000's	£000's
Balance 2009/10 Accounts	-	-
Year End Accrual	(2,424)	(3,017)
Restated Balance	(2,424)	(3,017)
Capital Grants & Contributions Unapplied	£000's	£000's
Balance 2009/10 Accounts	-	-
Transferred to Capital Grants and Contributions Unapplied Reserve	7,700	7,700
2009/10 Movement transferred to Capital Grants and Contributions Unapplied Reserve via the Comprehensive I & E Statement		2,020
Restated Balance	7,700	9,720

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10 Comprehensive Income and Expenditure Statement i.e. the 2009/10 Income and Expenditure Account and Statement of Total Gains and Losses restated for IFRS purposes:

Code 2010 Basis	IFRS Adjustments										PYA	2009/10 IFRS Restated		
	Gross	2009/10	Net	Finance		Deferred Gov.	Unapplied Gov.	Investment Property	Holiday	HRA 09/10	Gross	Income	Net	
	Expenditure	Income	Expenditure	Leases	£000's	Grants & Contributions	Grants & Contributions	Impairments /Revaluations		Revaluation	Expenditure		Expenditure	Expenditure
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
Central Services to the Public	26,874	(20,622)	6,252								26,874	(20,622)	6,252	
Cultural, Environmental Regulatory and Planning Services	84,831	(35,638)	49,193			748					85,579	(35,638)	49,941	
Children's and Education Services	230,607	(173,093)	57,514			757			593		231,957	(173,093)	58,864	
Highways and Transport Services	28,529	(15,016)	13,513	1310	(1,515)	0					29,839	(16,531)	13,308	
Local Authority Housing (HRA)	54,910	(62,046)	(7,136)			0				(22,333)	54,910	(84,379)	(29,469)	
Other Housing Services	114,071	(108,877)	5,194			110					114,181	(108,877)	5,304	
Adult Social Care	87,435	(28,606)	58,829			112					87,547	(28,606)	58,941	
Corporate and Democratic Core	5,278	(409)	4,869								5,278	(409)	4,869	
Non Distributable Costs	3,799	(36)	3,763								3,799	(36)	3,763	
Exceptional Items			0								0	0	0	
Equal Pay Provision		0										0		
Vat Refund - Fleming Cases	0	(2,733)	(2,733)								0	(2,733)	(2,733)	
Net Cost of Services	636,334	(447,076)	189,258								639,964	(470,924)	169,040	
Loss / (Gain) on the disposal of Fixed Assets			(818)										(818)	
Contributions to Other Local Authorities			593										593	
Contributions of Housing Capital														
Receipts to Government Pool			1,704										1,704	
Other Operating Expenditure			1,479										1,479	
Investment Properties (Impairment net of Income)			(15,535)						(4,996)				(20,531)	
Interest payable and similar charges			7,881	1515	(1,303)								8,093	
Interest and Investment Income			(1,575)										(1,575)	
Pensions Interest Costs & Expected			22,520										22,520	
Financing, and Investment			13,291										8,507	
Demand on Collection Fund			(80,960)										(80,960)	
General Government Grants			(29,974)										(29,974)	
Capital Grants not Relating to Specific Services			(3,555)			(13,620)	(2,020)						(19,195)	
Non - Domestic Rates Redistribution			(79,846)										(79,846)	
Taxation and Non-Specific Grant Income			(194,335)										(209,975)	
(Statement of Total Recognised Gains and Losses)														
Deficit / (Surplus) on the Provision of Services			9,693										(30,949)	
Surplus or deficit on revaluation of non current assets			(33,062)						4,996		22,333		(5,733)	
Surplus or deficit on revaluation of available for sale financial assets			(12)										(12)	
Actuarial (gains) / losses on pension assets / liabilities			94,850										94,850	
Share of other Comprehensive Expenditure & Income of associates & joint ventures			-										-	
Total Comprehensive Income and Expenditure			71,469	2825	(2,818)	1,727	(13,620)	(2,020)	4,996	(4,996)	593	-	58,156	

NOTES TO THE CORE FINANCIAL STATEMENTS

The impact of IFRS on the opening and closing 2009/10 Balance Sheets are as follows:

Restated 1 April 2009 Balance Sheet					
SORP Balance Sheet	Reclassifications		IFRS Adjustments	Code - IFRS Balance Sheet	
	£000's	£000's	£000's	£000's	
Fixed Assets					Long Term Assets
<i>Intangible Assets</i>	712		-	712	<i>Intangible Assets</i>
<i>Tangible Fixed Assets</i>					<i>Property, Plant & Equipment</i>
<i>Operational Assets</i>					
Council Dwellings	663,310		-	663,310	Council Dwellings
Other Land and Buildings	658,410		-	658,410	Other Land and Buildings
Vehicles, plant, furniture, and equipment	5,631		4,367	9,998	Vehicles, plant, furniture, and equipment
Infrastructure assets	96,951		-	96,951	Infrastructure assets
		9,734		9,734	Assets under construction
<i>Non-Operational Assets</i>					
Investment Properties	123,957		-	123,957	Investment Properties
Assets under construction	9,734	(9,734)	-	-	(See above)
Surplus assets, held for disposal	288		-	288	Surplus assets, held for disposal
Total Fixed Assets	1,558,993				
Long Term Investments	9,351		-	9,351	Long Term Investments
Long Term Debtors	2,907		-	2,907	Long Term Debtors
Total Long - Term Assets	1,571,251			1,575,618	Total Long - Term Assets
Current Assets					Current Assets
Stocks, Stores and Work in Progress	1,239		-	1,239	Stocks, Stores and Work in Progress
Debtors	48,110		-	48,110	Debtors
Less provision for bad and doubtful debts	(13,308)		-	(13,308)	Less impairment allowance
Short Term Investments	21,900		(6,640)	15,260	Short Term Investments
Cash in Hand and Bank	174		6,640	6,814	Cash & Cash Equivalents
				0	Non Current Assets Held for Sale
	58,115			58,115	
Total Assets	1,629,366				
Current Liabilities					Current Liabilities
Short Term Borrowing	(49,853)		-	(49,853)	Short Term Borrowing
Creditors	(61,125)	594	(3,530)	(64,061)	Creditors
Bank Overdraft	(2,470)		-	(2,470)	Cash & Cash Equivalents
				(116,384)	
Total Assets less Current Liabilities	1,515,918				
Long Term Liabilities					Long Term Liabilities
Long Term Borrowing	(79,279)		-	(79,279)	Long Term Borrowing
Finance Creditor	(50,301)		(2,733)	(53,034)	Finance Creditor
Provisions	(8,252)		-	(8,252)	Provisions
Government Grants & Contributions Defer	(43,535)		43,535	-	
Deferred Liabilities	(19,987)		-	(19,987)	Deferred Liabilities
Deferred Capital Balances	(92)		-	(92)	Deferred Capital Balances
Capital Grants & Contributions Unapplied	(21,054)	(594)	7,700	(13,948)	Capital Grants & Contributions Receipts in Advance
Liability Related to Defined Benefit Pension	(297,970)		-	(297,970)	Liability Related to Defined Benefit Pensions Scheme
				(472,562)	
Total Assets less Liabilities	995,448			1,044,787	Net Assets
Financed by:					Unuseable Reserves
Revaluation Reserve	53,205		15,381	37,824	Revaluation Reserve
Capital Adjustment Account	1,188,795		(59,444)	1,248,239	Capital Adjustment Account
Available-for-Sale Financial Instruments R	334		-	334	Available-for-Sale Financial Instruments Reserve
Financial Instrument Adjustment Account	327		-	327	Financial Instrument Adjustment Account
Pension Reserve	(297,970)		-	(297,970)	Pension Reserve
		(3,427)	-	3,427	Council Tax Adjustment Account
			2,424	(2,424)	Short-Term Accumulating Compensated Absences
				989,757	
			(7,700)	7,700	
Usable Capital Receipts Reserves	6,015		-	6,015	Usable Capital Receipts Reserves
Earmarked Revenue Reserves	23,612		-	23,612	Earmarked Revenue Reserves
<i>Revenue Balances</i>					
General Fund	15,316		-	15,316	General Fund
Housing Revenue Account	2,387		-	2,387	Housing Revenue Account
Council Tax Adjustment Account	3,427	3,427	-	0	(See Unuseable above)
				55,030	
Total Net Worth	995,448	-	-	1,044,787	Total Reserves

NOTES TO THE CORE FINANCIAL STATEMENTS

Restated 31 March 2010 Balance Sheet

SORP Balance Sheet	Reclassifications		IFRS Adjustments	Code - IFRS Balance Sheet	
	£000's	£000's	£000's	£000's	
Fixed Assets					Long Term Assets
<i>Intangible Assets</i>	609		-	609	<i>Intangible Assets</i>
<i>Tangible Fixed Assets</i>					<i>Property, Plant & Equipment</i>
<i>Operational Assets</i>					
Council Dwellings	697,606		-	697,606	Council Dwellings
Other Land and Buildings	669,044		-	669,044	Other Land and Buildings
Vehicles, plant, furniture, and equipment	8,152		4,684	12,836	Vehicles, plant, furniture, and equipment
Infrastructure assets	108,868		-	108,868	Infrastructure assets
		4,818	-	4,818	Assets under construction
<i>Non-Operational Assets</i>					
Investment Properties	133,567		-	133,567	Investment Properties
Assets under construction	4,818	(4,818)	-	-	(See above)
Surplus assets, held for disposal	8,111		-	8,111	Surplus assets, held for disposal
Total Fixed Assets	1,630,775				
Long Term Investments	6,412		-	6,412	Long Term Investments
Long Term Debtors	2,643		-	2,643	Long Term Debtors
Total Long - Term Assets	1,639,830			1,644,514	Total Long - Term Assets
Current Assets					Current Assets
Stocks, Stores and Work in Progress	1,340		-	1,340	Stocks, Stores and Work in Progress
Debtors	56,932		-	56,932	Debtors
Less provision for bad and doubtful debts	(12,864)		-	(12,864)	Less impairment allowance
Short Term Investments	40,664		(10,645)	30,019	Short Term Investments
Cash in Hand and Bank	176		10,645	10,821	Cash & Cash Equivalents
				0	Non Current Assets Held for Sale
	86,248			86,248	
Total Assets	1,726,078				
Current Liabilities					Current Liabilities
Short Term Borrowing	(51,078)		-	(51,078)	Short Term Borrowing
Creditors	(71,677)	752	(4,411)	(75,336)	Creditors
Bank Overdraft	(5,689)		-	(5,689)	Cash & Cash Equivalents
				(132,103)	
Total Assets less Current Liabilities	1,597,634				
Long Term Liabilities					Long Term Liabilities
Long Term Borrowing	(104,920)		-	(104,920)	Long Term Borrowing
Finance Creditor	(48,929)		(2,769)	(51,698)	Finance Creditor
Provisions	(9,081)		-	(9,081)	Provisions
Government Grants & Contributions Defer	(55,428)		55,428	-	
Deferred Liabilities	(19,188)		-	(19,188)	Deferred Liabilities
Deferred Capital Balances	(58)		-	(58)	Deferred Capital Balances
Capital Grants & Contributions Unapplied	(27,061)	(752)	9,720	(18,093)	Capital Grants & Contributions Receipts in Advance
Liability Related to Defined Benefit Pension	(408,990)		-	(408,990)	Liability Related to Defined Benefit Pensions Scheme
				(612,028)	
Total Assets less Liabilities	923,979			986,631	Net Assets
Financed by:					Unuseable Reserves
Revaluation Reserve	85,258		42,710	42,548	Revaluation Reserve
Capital Adjustment Account	1,198,540		(98,659)	1,297,199	Capital Adjustment Account
Available-for-Sale Financial Instruments R	346		-	346	Available-for-Sale Financial Instruments Reserve
Financial Instrument Adjustment Account	621		-	621	Financial Instrument Adjustment Account
Pension Reserve	(408,990)		-	(408,990)	Pension Reserve
		(3,427)	-	3,427	Council Tax Adjustment Account
			3,017	(3,017)	Short-Term Accumulating Compensated Absences
				932,134	
			(9,720)	9,720	
Usable Capital Receipts Reserves	1,074		-	1,074	Capital Grants & Contributions Unapplied
Earmarked Revenue Reserves	22,225		-	22,225	Usable Capital Receipts Reserves
<i>Revenue Balances</i>					Earmarked Revenue Reserves
General Fund	19,849		-	19,849	General Fund
Housing Revenue Account	1,589		-	1,589	Housing Revenue Account
Council Tax Adjustment Account	3,467	3,427	-	40	(See Unuseable above)
				54,497	
Total Net Worth	923,979	-	-	986,631	Total Reserves

6. Prior Period Adjustment

In addition, to the Restatements required for IFRS purposes, it was identified that the HRA Revaluation increase in 2009/10 of approximately £22.3M had been incorrectly credited to the Revaluation Reserve when it should have been credited to the HRA Income & Expenditure Account to reverse 2008/09 impairments – this adjustment has been included in the tables above.

7. Exceptional Items

Pension Fund Indexation Change

In its budget on 22 June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases were previously determined by reference to the Retail Price Index (RPI).

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI has resulted in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet.

This £100.7M reduction in liabilities, due to the above change, has been accounted for as a (negative) past service cost, and has been treated as an exceptional item both within the Comprehensive Income and Expenditure Statement £90.8M and the HRA Income and Expenditure Statement £9.9M.

Revaluation of Property Plant and Equipment

The Council, as part of its 5 year rolling programme, has revalued a number of properties which has given rise to a downward revaluation of approximately £327.4M, of which £103.8M relates to the General Fund and £223.6M relates to the HRA.

The General Fund amount has been treated as an exceptional item within the Comprehensive Income and Expenditure Statement.

A large proportion of the HRA revaluation decrease, approximately £171M, is due to the reduction in the Economic Use Value for Social Housing (EUV-SH) factor, for the South East, from 45% to 32%.

8. Events after the Balance Sheet Date

The Financial Statements were authorised for issue by the Head of Finance on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date.

9. Amounts Reported for Resource Allocation Decisions

The purpose of this note is to reconcile the financial information reported internally to that reported in the Comprehensive Income and Expenditure Statement.

The analysis of Income and Expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed by Service Portfolios. These reports are prepared on a different basis in particular:

- No charges are included within Service Portfolios in relation to capital expenditure, whereas depreciation, revaluations and impairments losses are charged to Comprehensive Income and Expenditure Statement
- The cost of retirement benefits is based on actual payments to the pension fund rather than notional current service costs accrued in year

NOTES TO THE CORE FINANCIAL STATEMENTS

2010/11 Reconciliation	Adult Social Care & Health	Childrens Services & Learning	Environment & Transport	Housing General Fund	Leader's Portfolio	Leisure, Local Services Culture & Heritage	Resources & Workforce Planning	Sub-Total Portfolios	Trading Areas	General Fund Portfolio Total	Housing Revenue Account	Service Analysis Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	(9,717)	(15,524)	(19,162)	(1,550)	(2,136)	(4,286)	(3,810)	(24,878)	(81,063)	(7,282)	(88,345)	(148,371)
Government Grants & Contributions	(28,817)	(169,931)	(4,709)	(409)	(936)	(766)	(1,103)	(3,023)	(209,694)		(209,694)	(209,694)
Total Income	(38,534)	(185,455)	(23,871)	(1,959)	(3,072)	(5,052)	(4,913)	(27,901)	(290,757)	(7,282)	(298,039)	(358,065)
Employee Expenses	22,419	36,992	16,101	2,677	7,603	8,053	8,151	16,110	118,106	1,555	119,661	128,230
Other Operating Expenses	67,060	179,595	29,458	597	1,932	4,879	7,378	50,699	341,598	5,665	347,263	395,338
Internal Charges	132	388	2,437	297	213	534	442	1,200	5,643	18	5,661	9,009
Total Operating Expenses	89,611	216,975	47,996	3,571	9,748	13,466	15,971	68,009	465,347	7,238	472,585	532,577
Net Controllable Cost	51,077	31,520	24,125	1,612	6,676	8,414	11,058	40,108	174,590	(44)	174,546	174,512
Net Non Controllable Costs	6,398	25,166	10,559	1,339	993	6,514	(757)	(28,296)	21,916		21,916	21,916
Total Portfolio Cost	57,475	56,686	34,684	2,951	7,669	14,928	10,301	11,812	196,506	(44)	196,462	196,428

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement												£000's
Total Service Analysis Cost												196,428
Add Services Not Included in Main Analysis												(1,150)
Add Amounts Reported to Management Outside Services												(12,043)
Add Amounts Not Reported to Management												215,222
Remove Amounts Reported to Management Not Included in Comprehensive Income and Expenditure Statement												32,291
Net Cost of Services in Comprehensive Income and Expenditure Statement												430,748

Reconciliation to Subjective Analysis											
	Service Analysis	Services Not Included in Main Analysis	Amounts Reported to Management Outside Services	Amounts Not Reported to Management	Amounts Reported to Management Not Included in Comprehensive Income and Expenditure Statement	Net Cost of Services in Comprehensive Income and Expenditure Statement	IFRS Adjustments	Corporate Adjustments	Total		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's		
Fees, Charges & Other Service Income	(148,371)	(2,778)	(952)		6,883	(145,218)			(145,218)		
Government Grants & Contributions	(209,694)	(116,067)		(15,899)	15,462	(326,198)		(62,047)	(388,245)		
Interest and Investment Income			(837)		837	0		(1,839)	(1,839)		
Income From Council Tax						0		(83,169)	(83,169)		
NNDR Redistribution						0		(87,437)	(87,437)		
Total Income	(358,065)	(118,845)	(1,789)	(15,899)	23,182	(471,416)	0	(234,492)	(705,908)		
Employee Expenses	128,230			(103,861)		24,369		13,400	37,769		
Other Operating Expenses	395,338	117,695		8,448	(2,631)	518,850			518,850		
Internal Charges	9,009			(1,065)		7,944			7,944		
Depreciation, Amortisation and Impairment			(23,992)	349,515		349,515			349,515		
Investment Properties						0		(5,619)	(5,619)		
Interest Payable and Similar Charges			10,125		(10,125)	0		10,535	10,535		
Other Miscellaneous Items			4,712		(3,226)	1,486			1,486		
Draw from Balances			(1,756)		1,756	0			0		
Precepts & Levies			657		(657)	0		657	657		
Payments to Housing Capital Receipts Pool						0		1,408	1,408		
Loss / (Gain) on Disposal of Fixed Assets						0		18,800	18,800		
Total Operating Expenses	532,577	117,695	(10,254)	253,037	9,109	902,164	0	39,181	941,345		
Net Non Controllable Costs	21,916			(21,916)		0			0		
Surplus / Deficit on the Provision of Services	196,428	(1,150)	(12,043)	215,222	32,291	430,748	0	(195,311)	235,437		

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10 Reconciliation	Adult Social Care & Health	Childrens Services & Learning	Economic Development	Environment & Transport	Housing & Local Services	Leader's Portfolio	Leisure, Culture & Heritage	Resources & Workforce Planning	Sub-Total Portfolios	Trading Areas	General Fund Portfolio Total	Housing Revenue Account	Service Analysis Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	(10,252)	(14,088)	(919)	(20,376)	(5,075)	(1,315)	(6,033)	(25,655)	(83,714)	(9,525)	(93,240)	(62,046)	(155,286)
Government Grants & Contributions	(28,474)	(167,577)	(2,850)	(2,497)	(1,496)	(300)	(976)	(2,688)	(206,858)	(39)	(206,897)		(206,897)
Total Income	(38,726)	(181,665)	(3,770)	(22,873)	(6,571)	(1,614)	(7,009)	(28,344)	(290,572)	(9,564)	(300,137)	(62,046)	(362,182)
Employee Expenses	23,368	36,358	4,474	16,848	10,058	5,347	9,131	14,917	120,500	2,321	122,821	9,900	132,720
Other Operating Expenses	65,570	176,836	2,835	27,225	7,098	911	5,031	46,545	332,050	7,157	339,207	38,414	377,621
Internal Charges	67	491	213	3,756	657	196	509	1,944	7,832	72	7,904	7,221	15,125
Total Operating Expenses	89,004	213,684	7,522	47,828	17,814	6,454	14,672	63,405	460,383	9,549	469,932	55,534	525,466
Net Controllable Cost	50,279	32,019	3,752	24,955	11,242	4,839	7,662	35,061	169,810	(15)	169,795	(6,511)	163,284
Net Non Controllable Costs	6,227	23,500	1,132	9,706	(681)	175	8,276	(29,182)	19,152		19,152		19,152
Total Portfolio Cost	56,506	55,519	4,883	34,661	10,561	5,014	15,938	5,879	188,962	(15)	188,947	(6,511)	182,436

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement													£000's
Total Service Analysis Cost													182,436
Add Services Not Included in Main Analysis													(836)
Add Amounts Reported to Management Outside Services													(8,916)
Add Amounts Not Reported to Management													(7,687)
Remove Amounts Reported to Management Not Included in Comprehensive Income and Expenditure Statement													27,626
IFRS Adjustments													(25,002)
Net Cost of Services in Comprehensive Income and Expenditure Statement													167,621

Reconciliation to Subjective Analysis

	Service Analysis	Services Not Included in Main Analysis	Amounts Reported to Management Outside Services	Amounts Not Reported to Management	Amounts Reported to Management Not Included in Comprehensive Income and Expenditure Statement	IFRS Adjustments	Net Cost of Services in Comprehensive Income and Expenditure Statement	IFRS Adjustments	Corporate Adjustments	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Fees, Charges & Other Service Income	(155,286)	(3,923)	(2,733)		6,694		(155,247)			(155,247)
Government Grants & Contributions	(206,897)	(107,668)		3,572	2,048	1,727	(307,218)	(15,640)	(33,529)	(356,387)
Interest and Investment Income			(1,045)		1,045		0		(1,575)	(1,575)
Income From Council Tax							0		(80,960)	(80,960)
NNDR Redistribution							0		(79,846)	(79,846)
Total Income	(362,182)	(111,591)	(3,778)	3,572	9,787	1,727	(462,465)	(15,640)	(195,910)	(674,015)
Employee Expenses	132,720			(6,350)		593	126,963			126,963
Other Operating Expenses	377,621	110,756	1,556	(4,909)	(2,846)	(1,515)	480,663			480,663
Internal Charges	15,125			(1,604)			13,521			13,521
Depreciation, Amortisation and Impairment			(21,270)	20,756	35,472	(24,600)	10,358	(1,419)		8,939
Investment Properties						(1,419)	(1,419)	(2,158)	(15,535)	(19,112)
Interest Payable and Similar Charges			7,936		(8,148)	212	0		8,093	8,093
Other Miscellaneous Items			1,513		(1,513)		0		22520	22,520
Draw from Balances			4,533		(4,533)		0			0
Precepts & Levies			593		(593)		0		593	593
Payments to Housing Capital Receipts Pool							0		1,704	1,704
Loss / (Gain) on Disposal of Fixed Assets							0		(818)	(818)
Total Operating Expenses	525,466	110,756	(5,139)	7,893	17,839	(26,729)	630,086	(3,577)	16,557	643,066
Net Non Controllable Costs	19,152			(19,152)			0			0
Surplus or deficit on the provision of services	182,436	(836)	(8,916)	(7,687)	27,626	(25,002)	167,621	(19,217)	(179,353)	(30,949)

NOTES TO THE CORE FINANCIAL STATEMENTS

10. Adjustments Between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Capital Receipts Reserves	Major Repairs & Repairs	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance 1 April 2010	(19,849)	(22,225)	(1,589)	(1,074)	0	(9,720)	(54,457)	(932,174)	(986,631)
Movement in Reserves during 2010/11									
Surplus or (deficit) on Provision of Services	32,093		203,344		0		235,437	0	235,437
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	(92,830)	(92,830)
Surplus or deficit on revaluation of non current assets							0	(77,773)	(77,773)
Surplus or deficit on revaluation of available for sale financial assets							0	(77)	(77)
Impairment losses (chargeable to the Revaluation Reserve)							0	0	0
Actuarial (gains) / losses on pension assets / liabilities								(14,980)	(14,980)
Total Comprehensive Expenditure and Income	32,093	0	203,344	0	0	0	235,437	(92,830)	142,607
Adjustments between accounting basis & funding basis under regulations	(35,207)	0	(198,806)	333	0	(3,657)	(237,338)	237,345	7
Amortisation of Intangible Fixed Assets	(174)						(174)	174	0
Depreciation and Impairment of Fixed Assets	(130,173)		(223,625)				(353,798)	353,798	0
Movement on Market Value of Investment Properties	1,791		(424)				1,367	(1,367)	0
Assets Transferred to CAPITA	(298)						(298)	298	0
Capital Grants and Contributions Applied	35,099		6,334				41,433	(41,433)	0
Capital Grants and Contributions Unapplied	3,657					(3,657)	0	0	0
Revenue Expenditure Funded from Capital Under Statute	(20,511)						(20,511)	20,511	0
Short-term Accumulating Compensated Absences Account	497						497	(497)	0
Net (loss) / gain on sale of Fixed Assets	(18,730)						(18,730)	0	(18,730)
Capital Receipts not matched by Disposal of Assets	(70)		70				0	0	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	3						3	(3)	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	60,857		6,583				67,440	(67,440)	0
Employer's contributions payable to the Hampshire County Council Pension Fund and retirement benefits payable direct to pensioners	20,772		2,248				23,020	(23,020)	0
Statutory Provision for the Financing of Capital Investment	9,662						9,662	(9,662)	0
Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,408)			1,408			0	0	0
Capital expenditure charged in-year to the General Fund Balance	3,787		10,056				13,843	(13,843)	0
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council income calculated for the year in accordance with statutory requirements	32						32	(32)	0
Transfers to/(from) Major Repairs Reserve			(68)		68		0	0	0
Major Repairs Allowance					(10,462)		(10,462)	10,462	0
Financing of HRA Assets					10,394		10,394	(10,394)	0
Removal of HRA Effective Interest Rate Calculation			103				103	0	103
Amortisation of Item 8 Discount			(83)				(83)	0	(83)
Capital Receipts in Year				(4,873)			(4,873)	0	(4,873)
Capital Receipts Financing of New Capital Expenditure				3,798			3,798	(3,798)	0
Non-current Asset Disposals							0	23,590	23,590
Net Increase/Decrease before Transfers to Earmarked Reserves	(3,114)	0	4,538	333	0	(3,657)	(1,901)	144,515	142,614
Transfers to/from Earmarked Reserves (Note 11)	5,569	(1,596)	(4,572)	(1,000)	0	1,593	(5)	(2)	(7)
Increase/Decrease (movement) in Year	2,455	(1,596)	(34)	(667)	0	(2,064)	(1,906)	144,513	142,607
Balance at 31 March 2011	(17,394)	(23,821)	(1,623)	(1,741)	0	(11,784)	(56,363)	(787,661)	(844,024)

NOTES TO THE CORE FINANCIAL STATEMENTS

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Capital Receipts Reserves	Major Repairs Reserve	Capital Grants & Contributions Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Restated Balance at 1 April 2009	(15,316)	(23,612)	(2,387)	(6,015)	0	(7,700)	(55,030)	(989,757)	(1,044,787)
Movement in Reserves during 2009/10									
Surplus or (deficit) on Provision of Services	(2,912)		(28,037)		0	0	(30,949)	0	(30,949)
Other Comprehensive Expenditure and Income	0	0	0	0	0	0	0	89,105	89,105
Surplus or deficit on revaluation of non current assets							0	(5,733)	(5,733)
Surplus or deficit on revaluation of available for sale financial assets								(12)	(12)
Actuarial (gains) / losses on pension assets / liabilities							0	94,850	94,850
Total Comprehensive Expenditure and Income	(2,912)	0	(28,037)	0	0	0	(30,949)	89,105	58,156
Adjustments between accounting basis & funding basis under regulations	(4,066)	0	32,668	4,941	0	(2,020)	31,523	(31,538)	(15)
	(4,066)	0	32,668	4,941	0	(2,020)	31,523	(31,538)	(15)
Amortisation of Intangible Fixed Assets	(243)						(243)	243	0
Depreciation and Impairment of Fixed Assets	(29,706)						(29,706)	29,706	0
Movement on Market Value of Investment Properties	15,338		(1,419)				13,919	(13,919)	0
PYA - Reversal of HRA Properties 08/09 Impairment	0		22,333				22,333	(22,333)	0
Assets Transferred to CAPITA	(283)						(283)	283	0
Capital Grants and Contributions Applied	21,051		2,048				23,099	(23,099)	0
Capital Grants and Contributions Unapplied	2,020					(2,020)	0	0	0
Revenue Expenditure Funded from Capital Under Statute	(7,823)						(7,823)	7,823	0
- Equal Pay Provision							0	0	0
Short-term Accumulating Compensated Absences Account	(593)						(593)	593	0
Net (loss) / gain on sale of Fixed Assets	818						818	0	818
Capital Receipts not matched by Disposal of Assets	(71)		71				0	0	0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in year in accordance with statutory requirements	294						294	(294)	0
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(34,869)		(3,801)				(38,670)	38,670	0
Employer's contributions payable to the Hampshire County Council Pension Fund and retirement benefits payable direct to pensioners	20,288		2,212				22,500	(22,500)	0
Statutory Provision for the Financing of Capital Investment	8,427						8,427	(8,427)	0
Transfer from Useable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,704)			1,704			0	0	0
Capital expenditure charged in-year to the General Fund Balance	3,253		10,989				14,242	(14,242)	0
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council income calculated for the year in accordance with statutory requirements	40						40	(40)	0
Transfers to/(from) Major Repairs Reserve			(68)		68		0		
Major Repairs Allowance					(15,129)		(15,129)	15,061	(68)
Financing of HRA Assets					15,061		15,061	(15,061)	
Removal of HRA Effective Interest Rate Calculation	(386)		386				0	0	0
Amortisation of Item 8 Discount	83		(83)				0	0	0
Capital Receipts in Year				(3,507)			(3,507)	0	(3,507)
Capital Receipts Financing of New Capital Expenditure				6,744			6,744	(6,744)	0
Non-current Asset Disposals							0	2,742	2,742
Net Increase/Decrease before Transfers to Earmarked Reserves	(6,978)	0	4,631	4,941	0	(2,020)	574	57,567	58,141
Transfers to/from Earmarked Reserves (Note 11)	2,445	1,387	(3,833)	0	0	0	(1)	16	15
Increase/Decrease (movement) in Year	(4,533)	1,387	798	4,941	0	(2,020)	573	57,583	58,156
Balance at 31 March 2010	(19,849)	(22,225)	(1,589)	(1,074)	0	(9,720)	(54,457)	(932,174)	(986,631)

NOTES TO THE CORE FINANCIAL STATEMENTS

11. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	<u>Balance</u>	<u>Transfers</u>	<u>Transfers</u>	<u>Balance</u>	<u>Transfers</u>	<u>Transfers</u>	<u>Balance</u>
	<u>1 April 2009</u>	<u>Out</u>	<u>In</u>	<u>31 March</u>	<u>Out</u>	<u>In</u>	<u>31 March 2011</u>
	<u>2009</u>	<u>2009/10</u>	<u>2009/10</u>	<u>2010</u>	<u>2010/11</u>	<u>2010/11</u>	<u>2011</u>
	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>	<u>£000's</u>
<u>Earmarked Reserves</u>							
<u>General Fund</u>							
PFI Sinking Fund	4,571	(57)		4,514		34	4,548
SCC External Investments	34			34			34
Southampton City Training Reserve	852	(852)		0			0
On Street Parking	1,832		300	2,132	(273)		1,859
Transport Repairs Reserve	238	(122)		116	(13)		103
Interest Equalisation Reserve			1,500	1,500			1,500
Transformation Top Up Reserve	206	(206)		0			0
Cremator Replacement	74		249	323		40	363
General Fund Contributions to Capital						4,372	4,372
	<u>7,807</u>	<u>(1,237)</u>	<u>2,049</u>	<u>8,619</u>	<u>(286)</u>	<u>4,446</u>	<u>12,779</u>
<u>HRA</u>							
Housing Act Advances	17			17			17
Housing Revenue Contributions to Capital	10,114	(3,831)		6,283	(3,980)		2,303
	<u>10,131</u>	<u>(3,831)</u>	<u>0</u>	<u>6,300</u>	<u>(3,980)</u>	<u>0</u>	<u>2,320</u>
<u>Schools</u>							
School Balances	5,674		1,632	7,306		1,416	8,722
	<u>23,612</u>	<u>(5,068)</u>	<u>3,681</u>	<u>22,225</u>	<u>(4,266)</u>	<u>5,862</u>	<u>23,821</u>

12. Other Operating Expenditure

Contributions paid to other local authorities are detailed in the table below:

<u>2009/10</u>		<u>2010/11</u>
<u>£000's</u>		<u>£000's</u>
42	Southern Seas Fisheries	46
509	Coroners Services	568
42	Flood Defence	43
<u>593</u>		<u>657</u>

13. Financing and Investment Income and Expenditure

<u>2009/10</u>		<u>2010/11</u>
<u>£000's</u>		<u>£000's</u>
1,014	Temporary Investments	822
79	HRA Cash Balances	38
482	Other	979
<u>1,575</u>		<u>1,839</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

<u>2009/10</u> £000's		<u>2010/11</u> £000's
2,721	Interest on External Loans	5,179
592	Payments to HCC in respect of Transferred Debt	598
245	Interest on Funds held	226
4,323	PFI Schemes	4,374
212	Finance Leases	158
<u>8,093</u>		<u>10,535</u>

14. Property Plant and Equipment

Fixed assets are shown at a current valuation of £1,303M, a decrease of £198M. The basis of valuation is explained in more detail in **Note 1 Accounting Policies (t)**. This valuation does not include certain Church and Voluntary Aided schools. These schools have an estimated value of £32M. The values are shown as at 31 March 2011.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – Currently the Major Repairs Allowance is used as a proxy for Depreciation
- Other Land and Buildings – 30 to 70 years
- Vehicles, Plant, Furniture & Equipment – 5 to 15 years
- Infrastructure – 25 to 40 years

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The movement in Property, Plant and Equipment for both the current and previous year are shown below and comes about due to changes to asset valuations, disposals of existing fixed assets, new acquisitions and enhancements to assets funded by capital expenditure

NOTES TO THE CORE FINANCIAL STATEMENTS

Movement in Property, Plant & Equipment (PP&E) for 2010/11									
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total	PFI Assets Included in PP&E
	£000's	£000's	£000's	£000's	s	£000's	£000's	£000's	£000's
Cost or Valuation									
At 1 April 2010	697,606	744,803	18,788	120,814	0	8,436	4,818	1,595,265	74,101
Additions	33,584	48,916	4,854	11,068		1	9,181	107,604	2,314
Revaluation Increases/(decreases) recognised in the Revaluation Reserve		77,790				(17)		77,773	
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(222,319)	(105,167)		0		68		(327,418)	
Derecognition-Disposals	(1,835)	(20,569)		0		0		(22,404)	
Other Reclassifications		(771)				1,861		1,090	
At 31 March 2011	507,036	745,002	23,642	131,882	0	10,349	13,999	1,431,910	76,415
Accumulated Depreciation and Impairment									
At 1 April 2010	0	(75,758)	(5,952)	(11,946)	0	(325)	0	(93,981)	(3,864)
Depreciation Charge	(10,394)	(20,268)	(3,098)	(2,759)		(323)		(36,842)	
Derecognition-Disposals		2,169						2,169	
At 31 March 2011	(10,394)	(93,857)	(9,050)	(14,705)	0	(648)	0	(128,654)	(3,864)
Net Book Value									
At 31 March 2011	496,642	651,144	14,592	117,178	0	9,701	13,999	1,303,255	72,551
At 31 March 2010	697,606	669,044	12,836	108,869	0	8,111	4,818	1,501,284	70,237

	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure	Surplus Assets	PP&E Under Construction	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Carried at Historic Cost			14,592	117,178		13,999	145,768
Valued at Fair Value in:							
2010/11	496,642	476,362			1,698		974,702
2009/10		108,565			8,003		116,568
2008/09		15,743					15,743
2007/08		48,744					48,744
2006/07		1,730					1,730
Net Book Value as at 31 March 2011	496,642	651,144	14,592	117,178	9,701	13,999	1,303,255

NOTES TO THE CORE FINANCIAL STATEMENTS

Movement in Property, Plant & Equipment (PP&E) for 2009/10									
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total	PFI Assets Included in PP&E
	£000's	£000's	£000's	£000's	£	£000's	£000's	£000's	£000's
Cost or Valuation									
At 1 April 2009	663,310	715,165	14,082	106,571		325	9,734	1,509,187	76,033
Additions	29,595	25,274	5,301	14,368			2,501	77,039	1,932
Revaluation Increases/(decreases) recognised in the Revaluation Reserve		(313)				6,046		5,733	
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	21,278	(4,561)				(12)		16,705	
Derecognition-Disposals	(2,018)	(64)	(595)					(2,677)	
Reclassified to/from Held for Sale						2,077		2,077	
Other Reclassifications	503	9,302	0	(125)		0	(7,417)	2,263	
At 31 March 2010	712,668	744,803	18,788	120,814	0	8,436	4,818	1,610,327	77,965
Accumulated Depreciation and Impairment									
At 1 April 2009	0	(56,756)	(4,084)	(9,620)		(37)	0	(70,497)	(1,932)
Depreciation Charge	(15,062)	(19,002)	(2,463)	(2,326)		(288)		(39,141)	(1,932)
Derecognition-Disposals			595					595	
Derecognitions-Other								0	
At 31 March 2010	(15,062)	(75,758)	(5,952)	(11,946)	0	(325)	0	(109,043)	(3,864)
Net Book Value									
At 31 March 2010	697,606	669,044	12,836	108,869	0	8,110	4,818	1,501,284	74,101
At 31 March 2009	663,310	658,409	9,998	96,951	0	288	9,734	1,438,690	74,101

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £55.5M. Similar commitments at 31 March 2010 were £50.0M. The major commitments are:

	£000's
New Build Homes	22,028
Civic Centre Refurbishment	7,500
Sea City Museum	6,648
Decent Homes	4,000
Guildhall Square	2,152
Lift Refurbishments	1,572
Highways	1,312
City Depot (Dockgate 20)	1,178
Tudor House Museum Refurbishment	1,166
St. James Park Enhancements	1,040
Other Various	6,910
Total	55,506

NOTES TO THE CORE FINANCIAL STATEMENTS

15. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2009/10 £000's	Investment Properties	2010/11 £000's
(6,694)	Rental Income	(6,883)
1,501	Operating Expenditure	2,631
(5,193)	Net (gains)/losses	(4,252)
(13,919)	Net (gains)/losses from fair value adjustments	(1,367)
<u>(19,112)</u>	Net (Income)/ Expenditure	<u>(5,619)</u>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

	2009/10 £000's	2010/11 £000's
Balance at start of year	123,957	133,567
Additions:		
Purchases		
Construction		
Subsequent Expenditure	692	136
Disposals	(660)	(3,355)
Net gains/losses from fair value adjustments	13,919	1,367
Transfers		
(to) /from inventories		
(to) /from Property, Plant and Equipment	(4,341)	(1,090)
Balance at end of year	<u>133,567</u>	<u>130,625</u>

16. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generally software.

Expenditure on intangible assets to date all relates to the purchase of software. The capitalised expenditure will be depreciated over the useful life of each asset and is charged to service revenue accounts (from the year following acquisition). Significant items purchased during the year include £529k for 'ICT Harnessing Technology'.

NOTES TO THE CORE FINANCIAL STATEMENTS

Purchased Software			
	31 March 2009	31 March 2010	31 March 2011
	£000's	£000's	£000's
Gross carrying amount	1,009	1,234	992
Accumulated amortisation	(365)	(522)	(383)
Net carrying amount at start of the year	644	712	609
Purchases	272	140	853
Amortisation for the period	(204)	(243)	(174)
Net carrying amount at end of the year	712	609	1,288

17. Financial Instruments

Financial Instruments Classifications

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2010 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

The definition of a financial instrument is 'Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'.

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, service concession arrangements (PFI and finance leases), and investment transactions are classified as financial instruments.

Financial Liabilities

A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's loan portfolio at year end consisted of PWLB and market debt. During the year temporary borrowing from the money markets was also undertaken. Under the 2010 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to the Comprehensive Income and Expenditure Statement.

Financial Assets

A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit and Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds, call/notice accounts and supranational/government bonds. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (Debtors) are classified

NOTES TO THE CORE FINANCIAL STATEMENTS

as Loans and Receivables. As these are considered immaterial they have been measured at cost on the Balance Sheet. Money Market Funds and Supranational/Government Bonds are classified as Available for Sale.

Balances in money market funds and call accounts at 31 March 2011 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

The Council does not have any investments required to be measured at Fair Value through Profit and Loss.

Transaction costs

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument.

Financial Instruments Balances

	Long-Term			Current			Total		
	31 March 2009	31 March 2010	31 March 2011	31 March 2009	31 March 2010	31 March 2011	31 March 2009	31 March 2010	31 March 2011
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Borrowing	79,279	104,920	176,492	49,853	51,078	49,311	129,132	155,998	225,803
Deferred Liabilities	19,188	18,420	17,683	799	768	737	19,987	19,188	18,420
Trade Creditors				5,599	7,102	7,390	5,599	7,102	7,390
PFI/Finance Lease Liabilities	53,034	51,698	50,166	2,423	2,766	3,136	55,457	54,464	53,302
Total Financial Liabilities	151,501	175,038	244,341	58,674	61,714	60,574	210,175	236,752	304,915
Loans (including MMFs)	3,000			21,730	40,494	69,983	24,730	40,494	69,983
Available-for-sale Financial Assets	6,351	6,412	6,489	170	170	170	6,521	6,582	6,659
Trade Receivables	105	71	54	14,445	14,177	13,180	14,550	14,248	13,234
Total Financial Assets	9,456	6,483	6,543	36,345	54,841	83,333	45,801	61,324	89,876

The following table reflects the composition of investments and debt recorded on the Balance Sheet:

	Long-Term			Current			Total		
	31 March 2009	31 March 2010	31 March 2011	31 March 2009	31 March 2010	31 March 2011	31 March 2009	31 March 2010	31 March 2011
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Borrowing									
Nominal Amount	78,721	104,594	176,264	48,717	50,623	48,413	127,438	155,217	224,677
Accrued Interest				264	223	801	264	223	801
Unamortised Discounts / (Premiums) on Modified Loans	558	326	228	872	232	97	1,430	558	325
Total Borrowings as per Balance Sheet	79,279	104,920	176,492	49,853	51,078	49,311	129,132	155,998	225,803
Investments									
Nominal Amount	9,036	6,036	6,036	21,035	40,225	69,875	30,071	46,261	75,911
Accrued Interest				863	437	276	863	437	276
Unamortised Premiums / (Discounts) on Available-for-Sale-Assets	33	31	30	2	2	2	35	33	32
Movement in Fair Value on Available-for-Sale-Assets	282	345	423				282	345	423
Total Investments as per Balance Sheet	9,351	6,412	6,489	21,900	40,664	70,153	31,251	47,076	76,642

NOTES TO THE CORE FINANCIAL STATEMENTS

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'. This would include accrued interest on long term liabilities and investments that is payable/receivable in 2011/12.

Where loans are advanced at below market rates they are classed as 'Soft Loans'. The 2010 Code of Practice sets out specific accounting requirements for soft loans. The Council does not have any material soft loans.

Financial Instruments – Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	2010/11			Total £000's
	Financial Liabilities Liabilities measured at amortised cost £000's	Financial Assets Loans and Receivables £000's	Available-for- sale Assets £000's	
Interest expense	(10,535)			
Losses on derecognition	(60)			
Impairment Losses				
Interest payable and similar charges	(10,595)	0	0	(10,595)
Interest income		822		
Gains on derecognition	89			
Interest and investment income	89	822	0	911
Gains on revaluation			117	
Losses on revaluation			(38)	
Amounts recycled to the I&E Account after impairment				
Surplus arising on revaluation of financial assets			79	
Net gain / (loss) for the year	(10,506)	822	79	

Financial Instruments – Fair Values

The Council's long term financial assets and financial liabilities are carried in the Balance Sheet at amortised cost. The portion of borrowings and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under short term borrowings or short term investments. This also includes accrued interest for long term investments and borrowings as well as accrued interest for cash and cash equivalents.

The 2010 Code of Practice requires the Fair Values of these assets and liabilities to be disclosed for comparison purposes. Fair Value is defined in Financial Reporting Standard 26 (FRS 26) as the amount for which asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The Fair Value of a financial instrument on initial recognition is generally the transaction price. The Council's debt outstanding at 31 March 2010 and 31

March 2011 consisted of loans from the Public Works Loan Board (PWLb) and market loans. The PWLB has provided the Council with Fair Value amounts in relation to its debt portfolio. The PWLB has assessed the Fair Values by calculating the amounts the Council would have had to pay to extinguish the loans on these dates. In the case of market loans, the Council wrote to the lender. Due to no response, the Council's Treasury Adviser has calculated the fair value based on equivalent swap rates at the Balance Sheet date.

NOTES TO THE CORE FINANCIAL STATEMENTS

In the case of the Council's investments, these consisted almost entirely of term deposits with Banks and Building Societies. The maturity dates of these investments were within 12 months of the Balance Sheet date. The contracts of term deposits do not permit premature redemption. None of the investments were impaired (i.e. at risk of default).

Carrying Amount 31 March 2009 £000's	Fair Value 31 March 2009 £000's	Carrying Amount 31 March 2010 £000's	Fair Value 31 March 2010 £000's		Carrying Amount 31 March 2011 £000's	Fair Value 31 March 2011 £000's
129,132	123,061	155,998	149,477	Financial Liabilities	225,803	224,499
19,987	19,987	19,188	19,188	Loans Outstanding	18,420	18,420
55,457	55,457	54,464	54,464	Deferred Liabilities	53,302	53,302
5,599	5,599	7,102	7,102	PFI/Finance Lease Liabilities	7,390	7,390
210,175	204,104	236,752	230,231	Trade Payables (Creditors)	304,915	303,611
				Total Financial Liabilities		
				Financial Assets		
9,351	9,350	6,412	6,407	Long Term Investments	6,489	6,485
21,900	21,900	40,664	40,664	Short Term investments	70,153	70,153
14,550	12,414	14,248	12,179	Trade Receivables (Debtors)	13,234	11,169
45,801	43,664	61,324	59,250	Total Financial Assets	89,876	87,807

Financial Liabilities

The fair value of financial liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Financial Assets

Longterm investments consist of a £6M (nominal value) bond investment which is carried in the Balance Sheet at its fair value rather than its cost and a small number of gilts (£0.04M) carried at cost. The fair value is higher because the interest rate on similar investments is now lower than that obtained when the investment was originally made.

Financial Instruments – Risks

The Council has adopted CIPFA's Revised Code of Practice on Treasury Management and complies with The Revised Prudential Code of Capital Finance for Local Authorities (both updated in November 2009).

As part of the adoption of the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with Financial Instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Annual Investment Strategy in compliance with the CLG/Scottish Government/WAG's Investment Guidance for local authorities. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Strategy, together with its Treasury Management Practices are based on seeking the highest rate of return consistent with the proper levels of security and liquidity.

The main risks covered are:

- **Credit Risk:** The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss for the other party.

NOTES TO THE CORE FINANCIAL STATEMENTS

- **Liquidity Risk:** The possibility that a party will be unable to raise funds to meet the commitments associated with Financial Instruments.
- **Market Risk:** The possibility that the value of an instrument will fluctuate because of changes in interest rates, market prices etc.

Credit Risk

Loans and Receivables

The Council manages credit risk by ensuring that investments are placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy. A maximum limit of £15M can be invested with a single counterparty subject to this being no more than 15% of total investments and in the case of money market funds being no more than 0.5% of any one individual fund. The Council also sets a total group investment limit for institutions that are part of the same banking group. 60% of total investments up to a limit of £50M can be invested for periods over one year. The Council has no historical experience of counterparty default.

It must also be noted that although credit ratings remain a key source of information, the Council recognises that they have limitations and investment decisions are based on a range of market intelligence. All investments have been made in line with the Council's Treasury Management Strategy Statement for 2010/11, approved by Full Council on 17 February 2010. The 2010/11 Treasury Strategy can be as item 6 on the Council Meetings Agenda found via the following web link:

<http://www.southampton.gov.uk/modernGov/ieListDocuments.aspx?CId=122&MId=249&Ver=4>

As conditions in the financial sector had begun to show signs of improvement, albeit with substantial intervention by government authorities, the Council decided it would be appropriate to diversify the counterparty list in 2010/11, through the inclusion of comparable non-UK Banks for investments. The sovereign states whose banks were included were Australia, Canada, Finland, France, Germany, Netherlands, Switzerland and the US. These countries, and the Banks within them, were selected after analysis and careful monitoring of:

- Credit Ratings (minimum long-term A+)
- Credit Default Swaps
- GDP; Net Debt as a Percentage of GDP
- Sovereign Support Mechanisms / potential support from a well-resourced parent institution
- Share Price

Throughout 2010/11 the minimum criteria for new investments has been a long term rating of A+/A1/A+ (Fitch/Moody's/S&P) and a short term rating of F1/P-1/A-1 (Fitch/Moody's/S&P).

The table below summarises the nominal value of the Council's investment portfolio at 31st March 2011, and confirms that all investments were made in line with the Council's approved credit rating criteria:

Outstanding Investments as at 31 March 2011									
Counterparty	Credit Rating Criteria Met When Investment Placed	Credit Rating Criteria Met on 31 March 2011	Under 1 Month	1-3 Months	3-6 Months	6-9 Months	9-12 Months	Over 12 Months	Total
	YES/NO	YES/NO	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
UK									
Bank Deposits	YES	YES			8,000	7,000	4,000		19,000
Building Societies	YES	YES		2,000	2,000				4,000
Gov't & Local									
Authority Deposits	YES	YES	5,300				1,000		6,300
Money Market Funds	YES	YES	40,575						40,575
Bonds								6,036	6,036
Total Investments			45,875	2,000	10,000	7,000	5,000	6,036	75,911

NOTES TO THE CORE FINANCIAL STATEMENTS

The above analysis shows that all deposits outstanding as at 31 March 2011 met the Council's credit rating criteria on the 31 March 2011.

Trade Receivables

The following analysis summarises the Council's potential maximum exposure credit risk, based on experience on the level of default on trade debtors, adjusted for current market conditions. As per the Code of Practice requirements, the disclosure below includes details only of debtors that have arisen as a result of trading activities. Balances and transactions arising from statutory functions (i.e. council tax and NNDR payments) are excluded from this disclosure note, as they have not arisen from contractual trading activities.

Trade Debtors and Impairment Provision			
	Outstanding 31 March 2009 £'000's	Outstanding 31 March 2010 £'000's	Outstanding 31 March 2011 £'000's
General Fund			
Trade Debtors	10,053	10,589	9,570
Trade Debtors Impairment Provisic	(530)	(681)	(832)
HRA			
Trade Debtors	4,392	3,588	3,610
Trade Debtors Impairment Provisic	(1,385)	(1,385)	(1,231)

Liquidity Risk

The Council has access to borrowing facilities via the Public Works Loan Board, commercial banks, bond issues, medium term notes, tax increment financing, the European Investment Bank, and other local authorities. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. The Council also has to manage the risk that it will not be exposed to replenishing a significant proportion of its borrowing at a time of unfavourable interest rates.

The Council would only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

The maturity analysis of the nominal value of the Council's debt at 31st March 2011 was as follows:

Outstanding 31 March 2009	% of total debt portfolio	Outstanding 31 March 2010	% of total debt portfolio	Total borrowing	Outstanding 31 March 2011	% of total debt portfolio
£000's	%	£000's	%	Source of Loan	£000's	%
99,000	78	112,661	72	Public Works Loan Board	177,733	79
28,438	22	43,337	28	Other Financial Institutions	46,944	21
127,438	100	155,998	100		224,677	100
Analysis of Loans by Maturity						
48,717	38	51,078	33	Less than 1 Year	48,413	22
17,066	13	9,357	6	Between 1 and 2 years	18,121	8
20,555	16	19,834	13	Between 2 and 5 years	19,561	9
1,159	1	36,729	24	Between 5 and 10 years	64,582	29
941	1			Between 10 and 15 years		
				Between 20 and 25 years	6,000	3
16,000	13			Between 25 and 30 years	10,000	4
8,000	6	21,000	13	Between 30 and 35 years	8,000	4
				Between 35 and 40 years	25,000	11
5,000	4			Between 40 and 45 years	10,000	4
10,000	8	18,000	12	Over 45 years	15,000	7
127,438	100	155,998	100		224,677	100

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council's long term liabilities (which includes borrowing detailed in the previous table) are shown in the table below:

Loans and Other Long term Liabilities Outstanding (Nominal Value)			
Source	Outstanding 31 March 2009 £'000's	Outstanding 31 March 2010 £'000's	Outstanding 31 March 2011 £'000's
Public Works Loan Board	99,000	112,661	177,733
Market Debt	9,000	9,000	11,625
Temporary Borrowing	19,438	34,337	35,319
Deferred Liabilities	19,987	19,188	18,420
PFI/Finance Lease Liabilities	55,457	54,464	53,302
Total	202,882	229,650	296,399

Market Risk

- **Interest Rate Risk:** The Council is exposed to risks arising from movements in interest rates. The Treasury Management Strategy aims to mitigate these risks by setting an upper limit of 35% on external debt that can be subject to variable interest rates. At 31 March 2011, 81% of the debt portfolio was held in fixed rate instruments, and 19% in variable rate instruments.

Investments are also subject to movements in interest rates. As investments are made at fixed rates, but for shorter periods of time, there is greater exposure to interest rate movements. This risk has to be balanced against actions taken to mitigate credit risk.

- **Price Risk:** The Council does not invest in equity shares and therefore is not subject to any price risk (i.e. the risk that the Council will suffer loss as a result of adverse movements in the price of financial instruments).
- **Foreign Exchange Risk:** The Council has no financial asset or liabilities denominated in a foreign currency. It therefore has no exposure to loss arising as a result of adverse movements in exchange rates.

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	283
Increase in interest payable on variable rate investments	
Increase in government grant receivable for financing costs	
Impact on the Provision of Services (surplus/deficit)	283
Share of overall impact debited/credited to HRA	116
Decrease in fair value of fixed rate investment assets	
Impact on Other Comprehensive Income and Expenditure	
Decrease in fair value of fixed rate borrowings/liabilities	(14,146)

NOTES TO THE CORE FINANCIAL STATEMENTS

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the 'Fair Value' disclosure note.

Financial Instruments Adjustment Account (FIAA)

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council also uses the Account to manage premiums and discounts paid on the early redemption of loans. Premiums and discounts are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out in the Movement in Reserves Statement.

Over time, the expense is posted back to the General Fund and HRA in accordance with statutory arrangements for spreading the impact on council tax and Housing rent. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next eight years and to the HRA over the next nine years.

The transactions reflected in the FIAA for 2010/11 are as follows:

2009/10 £000's		2010/11 £000's
327	Balance Brought Forward	621
(89)	Proportion of Discounts received in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(89)
60	Proportion of Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	60
(29)	Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs in the year in accordance with	(29)
315	HRA Item 8 adjustments	32
8	Other	
621	Balance Carried forward	624

During 2009/10 the Council restructured some of its debt portfolio with the PWLB. When loans are repaid before their maturity dates there may be a premium charged or discount received which will depend on the interest rate of the loan being repaid and current loan interest rates on offer. The treatment of the premiums and discount varies according to whether a loan has been extinguished or modified (i.e. a new loan has been taken which is considered to be an exchange for the loan that has been repaid).

Where the restructuring results in an 'extinguishment', regulations allow the impact on the General Fund balance to be spread over future years. Premiums and discounts are spread over the lesser of the unexpired term of the repaid loan or ten financial years.

18. Inventories

A summary of stocks, stores and work in progress is shown below. Work in progress is work undertaken on a job, which has not yet been completed or charged for. Work in progress in respect of other Council services is eliminated on consolidation of the accounts.

NOTES TO THE CORE FINANCIAL STATEMENTS

	Raw Materials & Consumables		WIP		Finished Goods		Total	
	2009/10 £'000's	2010/11 £'000's	2009/10 £'000's	2010/11 £'000's	2009/10 £'000's	2010/11 £'000's	2009/10 £'000's	2010/11 £'000's
Opening Balance	956	979	3	6	280	355	1,239	1,340
Additions / Purchases	3,694	3,694	5		367	319	4,066	4,013
Revaluations	(22)	(39)					(22)	(39)
Disposals / Usage	(3,654)	(3,732)	(2)	(6)	(248)	(484)	(3,903)	(4,221)
Write Offs	6	12			(45)	(55)	(40)	(43)
Closing Balance	979	914	6	0	355	135	1,340	1,050

19. Debtors

Short Term Debtors

The Short Term Debtor balances represent the estimated outstanding liabilities unpaid and income yet to be received as at 31 March 2011.

National Insurance and PAYE is the amount of the deductions from the Wages and Salaries of City Council staff, which are not paid over to the Inland Revenue by the 31 March 2011.

Inter-Portfolio Debtors and Creditors cancel each other out when the Balance Sheet is produced.

		<u>Debtors</u>		<u>2010/11</u>
<u>2008/09</u>	<u>2009/10</u>			<u>£000's</u>
<u>Restated</u>	<u>Restated</u>			
<u>£000's</u>	<u>£000's</u>			
		<u>Government</u>		
3,550	6,961	Department of Communities & Local Government		16,411
1,230		Department for Education		1,598
3,088	3,938	Department of Work and Pensions		5,047
1,830	7,188	HM Revenue & Customs (VAT)		7,136
		Homes and Community Agency		1,063
		Heritage Lottery Fund		1,977
		Other Departments		184
231	290			33,416
9,929	18,377			
		<u>Taxpayers</u>		
7,164	7,118	Council Tax		6,518
(4,747)	(4,816)	Council Tax Impairment		(4,403)
2,417	2,302			2,115
		<u>Public Sector Organisations</u>		
1,497	1,181	Hampshire County Council		1,478
355	602	Other Local Authorities and Public Bodies		412
1,852	1,783			1,890
		<u>General Fund - Other Debtors</u>		
5,109	5,067	Housing Benefit		5,600
(3,749)	(3,223)	Housing Benefit Impairment Provision		(3,408)
223		CAPITA		205
385	24	Leasing		
377	386	Landfill Allowance Trading Scheme (LATS)		289
10,053	10,589	Trade Debtors		9,570
(530)	(681)	Trade Debtors Impairment Provision		(832)
8,071	7,793	Sundry Debtors		8,539
(2,405)	(2,302)	Sundry Debtors Impairment Provision		(2,218)
17,534	17,653			17,745
		<u>Housing Revenue Account - Other Debtors</u>		
4,392	3,588	Trade Debtors		3,610
(1,501)	(1,385)	Trade Debtors - Impairment Provision		(1,231)
553	2,206	Sundry Debtors		3,026
(374)	(456)	Sundry Debtors - Impairment Provision		(628)
3,070	3,953			4,777
34,802	44,068	Total Debtors		59,943

NOTES TO THE CORE FINANCIAL STATEMENTS

Long Term Debtors

This is made up of the following and analysed in the table below:

a) Mortgages

These are loans outstanding to borrowers either for the purchase of Council dwellings, or for the purchase and improvement of private properties under part XIV of the Housing Act 1985. Loans are also made to Housing Associations for the construction and improvement of their properties.

b) IT Assets transferred to Capita

A balance for Deferred Consideration (within Long Term Debtors) was established, in 2007/08, with the Net Book Value of the assets (£3.247M). The deferred consideration (total cost including financing charges) is being written down to zero over the 10 year life of the contract with the debit entry being to the Comprehensive Income and Expenditure Statement (£0.423M). This is then reversed out through the Movement in Reserves Statement. As the Council has effectively lent Capita the fair value of the assets, which Capita is repaying in instalments over the ten year contract by a reduction in the contract payments, the notional interest related to the value is also included in Long Term Debtors (£0.14M). Therefore the net reduction in Long term debtors is £0.283M. More information relating to the contract with Capita is included in **Accounting Policy Z**.

c) Other

The major proportion of this balance is for the Assisted Car Purchase scheme which allows loans to be advanced to members of staff to assist in the purchase of vehicles where the possession and use of a car is required as part of their job.

Some loans are interest free where the loan has been made to an employee who has not renewed a car lease option. Other loans are charged at 2% above base rate, which is set at the beginning of each financial year.

<u>31 March</u> <u>2009</u> £000's	<u>31 March</u> <u>2010</u> £000's	<u>31 March</u> <u>2011</u> £000's
	Mortgages	
105	71 Sale of Council Houses	54
	Other	
2,721	2,438 IT Assets transferred to Capita	2,140
81	134 Other	139
<u>2,907</u>	<u>2,643</u>	<u>2,333</u>

20. Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash will also include bank overdrafts that are repayable on demand and that are integral to the authority's cash management.

Balances classified as 'Cash Equivalents' fit the definition of being short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The net balance of Cash and Cash Equivalents is made up of the following elements at the Balance Sheet date:

NOTES TO THE CORE FINANCIAL STATEMENTS

	31 March 2009 £000's	31 March 2010 £000's	31 March 2011 £000's
Bank Accounts	(2,470)	(5,689)	(13,499)
Money Market Funds	6,640	10,645	40,594
Petty Cash	174	176	152
Total	4,344	5,132	27,247

Although the balance shown suggests that the bank accounts were overdrawn by over £13.499M, the Council's actual bank account balance at the Bank was £0.145M at the 31 March 2011. The balance sheet figure includes end of year accounting entries that are not yet reflected within the actual bank account balance. The Council's bank account will not actually go overdrawn by £13.499M because future income receipts will cover any outstanding year end payment commitments. Alternatively the Council can withdraw from Money Market Funds (as detailed in the above table) or access temporary borrowing on the Money Markets if required.

21. Creditors

The Creditor balances represent the estimated outstanding liabilities as at 31 March 2011.

National Insurance and PAYE is the amount of the deductions from the Wages and Salaries of City Council staff, which are not paid over to the Inland Revenue by the 31 March 2011.

Inter-Portfolio Debtors and Creditors cancel each other out when the Balance Sheet is produced.

<u>2008/09</u> <u>Restated</u> £000's	<u>2009/10</u> <u>Restated</u> £000's	<u>Creditors</u>	<u>2010/11</u> £000's
		<u>Government</u>	
3,921	5,222	Department of Communities & Local Government	3,552
3,457	2,715	Department for Education	4,586
79	504	Department of Health	150
4,429	4,302	HM Revenue & Customs (PAYE & National Insurance)	4,132
	2,500	Homes & Community Agency (HCA)	1,525
525	525	South East England Development Agency (SEEDA)	525
882	893	Teachers Superannuation	1,009
440	530	Other Departments	296
<u>13,733</u>	<u>17,191</u>		<u>15,775</u>
		<u>Taxpayers</u>	
500	599	Council Tax / Business Rates (prepayments)	710
<u>500</u>	<u>599</u>		<u>710</u>
		<u>Public Sector Organisations</u>	
4,222	2,230	Hampshire County Council	1,974
2,047	4,113	Hampshire County Council (Local Government Superannuation)	4,304
1,578	938	Southampton University Hospitals	1,171
592	728	Other Local Authorities and Public Bodies	1,229
<u>8,439</u>	<u>8,009</u>		<u>8,678</u>
		<u>General Fund - Other Creditors</u>	
243	280	Building Control Competition A/C	290
377	386	Landfill Allowance Trading Scheme (LATS)	289
1,106	1,394	Finance Creditor (Leasing))	1,018
1,317	1,372	Finance Creditor (PFI and Hampshire Waste Contract)	2,118
2,424	3,017	Accumulated Absences Account	2,520
1,364	1,848	CAPITA	2,915
26,915	32,179	Sundry Creditors	39,812
4,981	6,224	Trade Creditors	6,293
<u>38,727</u>	<u>46,700</u>		<u>55,255</u>
		<u>Housing Revenue Account - Other Creditors</u>	
2,044	1,959	Sundry Creditors	1,325
618	878	Trade Creditors	1,097
<u>2,662</u>	<u>2,837</u>		<u>2,422</u>
<u>64,061</u>	<u>75,336</u>	Total Creditors	<u>82,840</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

22. Provisions

Provisions are amounts set aside each year for specific future expenses, the value of which cannot yet be accurately determined. The Provisions as shown in the balance sheet are analysed in the following table:

	Balance at 1 April 2009	Additional provisions made in year	Amounts used in year	Balance at 31 March 2010	Additional provisions made in year	Amounts used in year	Unused amounts reversed in year	Balance at 31 March 2011
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000
General Fund								
Equal Pay						(5,453)		(5,453)
General Insurance Funds	6,708	3,251	(2,585)	7,374	1,590	(1,419)		7,545
Itchen Bridge Repairs	1,255	190		1,445		(895)		550
UPVC Plant	184		(27)	157			(157)	0
Other Provisions	60			60	145			205
	8,207	3,441	(2,612)	9,036	1,735	(7,767)	(157)	2,847
HRA	45			45	736			781
Total	8,252	3,441	(2,612)	9,081	2,471	(7,767)	(157)	3,628

Equal Pay Provision

The Council received a number of Equal Pay claims in 2009/2010 and, whilst accepting no liability, the Council made an Equal Pay Provision in the 2009/2010 Financial Statements to meet any liabilities, which may arise from the litigation process, which was treated as an exceptional item within the Income and Expenditure Account.

However, in accordance with paragraph 97 of Financial Reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Assets), the Council has chosen not to disclose the information that would usually be required to be shown within the Statement of Accounts in relation to the Equal Pay Provision. This was based on the advice of the Monitoring Officer that to disclose the information would seriously prejudice the Council's position with regard to ongoing litigation.

The Council for the 2010/2011 Financial Statements continues to rely on the provisions contained within Financial Reporting Standard 12 with respect to the above.

Insurance Provisions

The Insurance Funds are used to meet claims that fall within the policy excess or deductible i.e. where the Council has taken advantage of 'self-insurance'. All liability and property claims settled below £0.125M and £0.04M respectively are met from the internal insurance funds. Contributions to the fund are reviewed annually based on factors such as exposure (e.g. employee numbers, nature of operations, sums insured etc), claims experience and outstanding liabilities.

The estimated outstanding reserve for 'claims reported but not settled' as at 31 March 2011 amounted to £4.135M with a closing fund balance of £7.545M. With regard to the outstanding reserve figure, the Council's insurers allocate a claim reserve figure in respect of each and every claim received. This figure represents their initial estimate of the potential cost of the claim and is amended as necessary until the claim is settled. Liability claims represent the vast majority of the total outstanding reserve figure however unlike property claims there is no commitment on the Council to pay the claim. The merits of each individual claim are investigated and claims will only be paid where it is deemed that the Council has been negligent and is legally liable to pay compensation. The reserve figure against a particular claim will also be reviewed periodically by the claims handler when further information becomes available regarding the merits of the case, extent of injury, value of loss etc.

The fund position is fluid as claims are settled and new claims received, however the insurance funds are monitored on a monthly basis. The expected timing of any resulting transfer of economic benefit, where it is deemed that compensation should be paid, is impossible to state and it is dependent on the claims settlement process and ultimately the decisions of the Courts. No assumptions have been made in respect of future events and no reimbursement is expected.

Other Provisions

All other provisions are individually insignificant.

NOTES TO THE CORE FINANCIAL STATEMENTS

23. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and **Note 11**.

24. Unusable Reserves

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000's		2010/11 £000's
37,824	Balance Brought Forward	42,548
7,542	Upward revaluations of assets	80,771
(1,809)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,998)
43,557	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	120,321
(794)	Difference between fair value depreciation and historical cost depreciation	(2,346)
(215)	Accumulated Revaluations on Disposals	(695)
42,548	Balance Carried Forward	117,280

b) Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost or
- disposed of and the gains are realised.

2009/10 £000's		2010/11 £000's
334	Balance Brought Forward	346
12	Upward Revaluation of Investments	77
346	Balance Carried Forward	423

c) Capital Adjustment Account (CAA)

The CAA absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of

NOTES TO THE CORE FINANCIAL STATEMENTS

those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10 £000's		2010/11 £000's
1,248,239	Balance Brought Forward	1,297,199
	Capital Financing	
6,744	Usable Capital Receipts	3,798
23,100	Capital Grants & Contributions	41,433
15,061	Major Repairs Allowance	10,394
14,242	Revenue Contributions	13,843
	Other Movements	
(7,823)	Revenue Expenditure Funded from Capital under Statute	(20,511)
	Equal Pay Capitalisation	
	Net gains/losses from fair value adjustments on Investment Properties	1,367
13,919		(298)
(283)	Deferred Considerations	
22,333	PYA - HRA reversal of Prior years Impairment	
(45,010)	Depreciation & Impairment	(364,434)
(2,742)	Disposals	(23,590)
794	Historic Cost Depreciation Adjustment	2,346
215	Accumulated Revaluations on Disposals	695
8,427	MRP	9,662
(17)	Other	2
1,297,199	Balance Carried Forward	971,905

d) Financial Instrument Adjustment Account

Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments, mainly as a result of debt structure. Further details can be found in **note 17**.

e) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10		2010/11
£000's		£000's
(297,970)	Balance Brought Forward	(408,990)
(15,810)	Current Service Cost	(19,820)
(340)	Past Service Costs (added years)	100,660
(40,110)	Interest Costs	(41,550)
17,590	Return on Assets	28,150
22,500	Payments to Pension Fund	23,020
(94,850)	Actuarial Losses (Surplus) on Fund Curtailments and Settlements	14,980
<u>(408,990)</u>	Balance Carried Forward	<u>(303,550)</u>

f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the collection Fund.

2009/10		2010/11
£000's		£000's
3,427	Balance Brought Forward	3,467
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	32
40		
<u>3,467</u>	Balance Carried Forward	<u>3,499</u>

g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried Forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account

2009/10		2010/11
£000's		£000's
(2,424)	Balance Brought Forward	(3,017)
2,424	Settlement or cancellation of accrual made at the end of the preceding year	3,017
(3,017)	Amounts accrued at the end of the current year	(2,520)
<u>(3,017)</u>	Balance Carried Forward	<u>(2,520)</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

25. Notes to Cash Flow Statement

(a) Reconciliation of Net Surplus or (Deficit) on the Provision of Services to Net Cash Flows from Operating Activities

<u>2009/10</u> <u>Restated</u> £000's		<u>2010/11</u> £000's	£000's
30,949	Net Surplus or (Deficit) on the Provision of Services		(235,437)
	Adjust net surplus or deficit on the provision of services for non cash movements		
22,434	Depreciation	364,191	
243	Amortisation	243	
(870)	Adjustments for effective interest rates	(230)	
283	Net PFI Debtor Adjustments	298	
(40)	Increase/(Decrease) in Interest Creditors	577	
9,363	Increase/(Decrease) in Creditors	4,421	
426	(Increase)/Decrease in Interest and Dividend Debtors	180	
(5,381)	(Increase)/Decrease in Debtors	(3,609)	
(101)	(Increase)/Decrease in Inventories	290	
16,170	Pension Liability	(90,460)	
829	Contributions to/(from) Provisions	(5,453)	
2,742	Carrying amount of non-current assets sold (property plant and equipment, investment property and intangible assets)	23,590	
224,460	Carrying amount of short and long term investments sold	332,490	
(13,919)	Movement in Investment Property Values	(1,367)	
(368)	Other Items	109	
<u>256,271</u>			<u>625,270</u>
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
(25,120)	Capital Grants credited to surplus or deficit on the provision of services	(44,497)	
(224,460)	Proceeds from the sale of short and long term investments	(332,490)	
(3,532)	Proceeds from the sale of property plant and equipment, investment property and	(4,927)	
<u>(253,112)</u>			<u>(381,914)</u>
<u>34,108</u>	Net Cash Flows from Operating Activities		<u>7,919</u>

(b) Operating Activities – Interest

<u>2009/10</u> <u>Restated</u> £000's		<u>2010/11</u> £000's
	Operating activities within the cashflow statement include the following cash flows relating to interest	
1,455	Interest Received	2,021
(8,727)	Interest Paid	(9,929)

NOTES TO THE CORE FINANCIAL STATEMENTS

(c) Cash Flows from Investing Activities

<u>2009/10</u> <u>Restated</u> £000's		<u>2010/11</u> £000's
	Cash Flows from Investing Activities	
(74,562)	Property, Plant and Equipment Purchased	(103,510)
(236,645)	Purchase of short term investments	(332,210)
3,558	Proceeds from the sale of property plant and equipment, investment property and intangible assets	4,847
224,460	Proceeds from short-term and long-term investments	332,490
29,416	Other Receipts from Investing Activities - Capital Grants & Contributions Received	56,405
<u>(53,773)</u>	Total Cash Flows from Investing Activities	<u>(41,978)</u>

(d) Cash Flows from Financing Activities

<u>2009/10</u> <u>Restated</u> £000's		<u>2010/11</u> £000's
	Cash Flows from Financing Activities	
288,800	Cash receipts of short and long term borrowing	359,680
(3,884)	Billing Authorities - Council Tax and NNDR adjustments	(8,913)
(261,043)	Repayment of Short-Term and Long-Term Borrowing	(291,116)
(3,420)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(3,477)
<u>20,453</u>	Total Cash Flows from Financing Activities	<u>56,174</u>

(e) Make-up of Cash and Cash Equivalents

<u>2009/10</u> <u>Restated</u> £000's		<u>2010/11</u> £000's
	Makeup of Cash and Cash Equivalents	
176	Cash and Bank Balances	152
10,645	Cash Investments - regarded as cash equivalents	40,594
(5,689)	Bank Overdraft	(13,499)
<u>5,132</u>		<u>27,247</u>

26. Acquired and Discontinued Operations

The Code of Practice requires the City Council to disclose any material operations, which have been acquired or discontinued during the year. There were no material changes during 2010/11 and therefore no separate disclosure is required.

NOTES TO THE CORE FINANCIAL STATEMENTS

27. Agency Services

Under a number of statutory powers, the Council is permitted to undertake work on behalf of other bodies. Under such arrangements all expenditure, including administration costs, would be reimbursed by the entity concerned.

The collection of Council Tax and NNDR Income is in substance an agency arrangement:

Cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There will be therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised since the net cash paid to each major preceptor in the year will not be its share of the cash collected from Council Taxpayers; and Cash collected from NNDR taxpayers by billing authorities (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date shall be included in the Balance Sheet as a creditor; similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing authority's cost of collection allowance), the excess shall be included in the Balance Sheet as a debtor.

28. Road Charging Schemes under the Transport Act 2000

Local Authorities are required to disclose details of the expenditure and income in relation to road charging schemes and workplace charging levies. The Council does not currently have any such schemes which fall under the Transport Act 2000.

29. Members Allowances

The total of members allowances paid in 2010/11 was £700k, (£716k in 2009/10) as detailed in the table below.

	31 March 2010 £000's	31 March 2011 £000's
Salaries	532	536
Allowances	171	161
Expenses	13	3
Total	716	700

30. Officers' Remuneration

The number of employees whose remuneration, including redundancy payments but excluding pension contributions, was £50,000 or more is shown in the table below.

NOTES TO THE CORE FINANCIAL STATEMENTS

		<u>Number of Employees</u>					
<u>Band £</u>		<u>2009/10</u>			<u>2010/11</u>		
		<u>Schools</u>	<u>Other</u>	<u>Total</u>	<u>Schools</u>	<u>Other</u>	<u>Total</u>
50,000 -	54,999	43	39	82	37	47	84
55,000 -	59,999	35	32	67	28	41	69
60,000 -	64,999	9	5	14	26	10	36
65,000 -	69,999	7	4	11	4	3	7
70,000 -	74,999	7	10	17	8	15	23
75,000 -	79,999	2	13	15	3	14	17
80,000 -	84,999	3	5	8	6	5	11
85,000 -	89,999	2	4	6	0	3	3
90,000 -	94,999	1	2	3	0	2	2
95,000 -	99,999	0	1	1	2	1	3
100,000 -	104,999	0	2	2	0	1	1
105,000 -	109,999	0	0	0	0	3	3
110,000 -	114,999	1	0	1	0	2	2
115,000 -	119,999	0	2	2	1	3	4
120,000 -	124,999	0	1	1	0	2	2
125,000 -	129,999	1	0	1	0	1	1
130,000 -	134,999	0	1	1	0	0	0
155,000 -	159,999	0	1	1	0	0	0
165,000 -	169,999	0	0	0	0	0	0
170,000 -	174,999	0	1	1	0	0	0
		111	123	234	115	153	268

Local authorities are required to disclose the remuneration details of senior employees. Senior employees are the Chief Executive and the senior managers reporting directly to the Chief Executive (whose salary is greater than £50,000). For comparative purposes there is also a table showing the same senior employee remunerations for 2009/10.

In order to balance the Council's Budget for 2010/11 and 2011/12 a greater number of redundancies have been approved than in previous years. This has contributed to the year on year increase in the number of employees being paid in excess of £50,000. The number of redundancies included in the above figures is 27.

NOTES TO THE CORE FINANCIAL STATEMENTS

2010/11

<u>Post Holder</u>	<u>Salary (including fees & allowances)</u>	<u>Expense Allowances</u>	<u>Compensation for loss of office</u>	<u>Benefits in Kind</u>	<u>Total Remuneration excluding pension contributions 2010/11</u>	<u>Pensions contributions</u>	<u>Total Remuneration including pension contributions 2010/11</u>
	£'s	£'s	£'s	£'s	£'s	£'s	£'s
Chief Executive retired 03/12/2010							
- Brad Roynon	116,471	2,008			118,478	22,246	140,724
Chief Executive from 01/11/2010							
- Alistair Neill	71,924	744			72,668	13,738	86,405
Assistant Chief Executive (Strategy) until 31/08/2010							
- Joy Wilmot-Palmer see Note 2	38,018	567	16,949		55,535	7,261	62,796
Executive Director of Corporate Policy & Economic Development							
- Dawn Baxendale	110,830				110,830	21,169	131,999
Solicitor to the Council							
- Mark Heath	115,086	122			115,209	21,981	137,190
Executive Director of Environment							
- Lorraine Brown	126,663	122		2,493	129,278	24,193	153,471
Executive Director of Health & Adult Social Care from 10/05/2010							
Penny Furness-Smith	116,659				116,659	22,282	138,941
Executive Director of Neighbourhoods - Nick Murphy	123,261	1,435			124,696	23,543	148,238
Executive Director of Children's Services & Learning							
- Clive Webster	123,261	520			123,781	23,543	147,324
Executive Director of Resources until 16/08/2010							
- Carolyn Williamson	49,193	295			49,489	9,384	58,872
Acting Executive Director of Resources from 26/07/2010							
- Rob Carr	81,838	84			81,921	15,631	97,552
Director of Communications							
- Ben White	83,782				83,782	16,002	99,784
	1,156,987	5,897	16,949	2,493	1,182,325	220,972	1,403,297

Note 1

The Council contributions to the pension fund are based on a fixed percentage of an employee's salary. In 2010/11 this percentage was 19.1% (18.6% in 2009/10) as disclosed above. The contribution effectively consists of two components: the actuary assessed contribution rate that relates to the actual pension to be received by employees (14.5%), and the contribution to the existing deficit on the pension fund (4.6%).

Note 2

Assistant Chief Executive (Strategy) post deleted 31/08/2010.

Note 3

There were no bonuses paid.

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10

<u>Post Holder</u>	<u>Salary (including fees & allowances)</u>	<u>Expense Allowances</u>	<u>Compensation for loss of office</u>	<u>Benefits in Kind</u>	<u>Total Remuneration excluding pension contributions 2009/10</u>	<u>Pensions contributions</u>	<u>Total Remuneration including pension contributions 2009/10</u>
	£s	£s	£s	£s	£s	£s	£s
Chief Executive - Brad Royron	172,618	1,195			173,813	32,107	205,920
Assistant Chief Executive (Strategy) - Joy Wilmot-Palmer	91,698	1,292			92,990	16,742	109,732
Assistant Chief Executive (Economic Development) from 14/04/2009 - Dawn Baxendale	88,862				88,862	16,528	105,390
Solicitor to the Council - Mark Heath	103,895	122			104,017	19,324	123,342
Executive Director of Environment - Lorraine Brown	123,261	122		3,171	126,555	22,927	149,481
Executive Director of Health & Adult Social Care retired 05/07/2009 - John Beer see Note 2	34,435	962			35,397	6,578	41,975
Executive Director of Neighbourhoods - Nick Murphy	119,664	1,647			121,311	22,293	143,604
Executive Director of Children's Services & Learning - Clive Webster	119,857	362			120,219	22,293	142,513
Executive Director of Resources - Carolyn Williamson	130,714	985			131,699	24,313	156,012
Communications Director from 08/12/2009 - Ben White	25,729				25,729	4,786	30,514
Head of Communications left 31/08/2009 - see Note 3	28,151	151	75,000		103,302	5,236	108,538
	1,038,883	6,840	75,000	3,171	1,123,894	193,128	1,317,022

Note 1

The Council contributions to the pension fund are based on a fixed percentage of an employee's salary. In 2009/10 this percentage was 18.6% as disclosed above. The contribution effectively consists of two components: the actuary assessed contribution rate that relates to the actual pension to be received by employees (14.5%), and the contribution to the existing deficit on the pension fund (4.1%).

Note 2

Executive Director of Health & Adult Social Care post covered from July 2009 to March 2010 by an Interim Director employed via an agency.

Note 3

Head of Communications post deleted.

Note 4

There were no bonuses paid.

NOTES TO THE CORE FINANCIAL STATEMENTS

31. External Audit Costs

The Council's appointed auditors are the Audit Commission. The Council incurred the following fees relating to external audit and inspection. The fees for other services in 2010/11 related to specialist advice for work and on National Fraud initiatives.

2009/10 £000's	2010/11 £000's
360 Statutory Audit & Inspection	317
118 Certification of Grant Claims and Returns	57
0 Other Services	5
478	379

32. Dedicated Schools Grants

The Council's expenditure on schools is funded by grant provided by the Department for Children, Schools and Families (DCFS), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Overspends and underspends on the two elements are required to be accounted for separately.

Details of the deployment of DSG receivable for 2010/11 are as follows:

<u>Details of the deployment of DSG receivable for 2010/11 are as follows:</u>			
	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2010/11			116,745
Brought forward from 2009/10			137
Carry forward to 2010/11 agreed in advance			-
Agreed budgeted distribution in 2010/11	16,765	100,117	116,882
Actual central expenditure	(16,673)		(16,673)
Actual ISB deployed to schools		(100,117)	(100,117)
Local authority contribution for 2010/11			0
Carry forward to 2011/12	92	0	92

33. Related Parties

The Accounting Code of Practice 1998 requires the Council to disclose material transactions with related parties. This has been introduced to bring local authorities in line with the private sector. For the City Council a "Related Party" is considered to be:

- Central Government and other local authorities
- Any joint venture with another public body
- Any subsidiary or associated company
- Elected Members

NOTES TO THE CORE FINANCIAL STATEMENTS

- Senior Officers
- The Council's pension fund

During the year major transactions with related parties arose with; Hampshire Superannuation Fund and Teachers Pensions Agency as disclosed in **Note 39** ; Hampshire Police Authority precept of £9.677M and Hampshire Fire & Rescue Services precept of £4.062M, shown in the **Collection Fund Accounts**, and Central Government which has effective control over the general operation of the Council, as it is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding in the form of grants.

For the elected members and chief officers it also includes members of their close family, their households and any company, trust etc in which they have a controlling interest. Elected members and chief officers were requested to disclose any related party transactions; no material transactions were disclosed for 2010/11.

Amounts Due to or from Related Parties

As at 31 March 2011, significant monies outstanding from related parties were:

2009/10		2010/11
£000's	<u>Money Owed to SCC</u>	£000's
7,188	HM Revenues & Customs (VAT)	7,136
3,938	Department for Works & Pensions (Housing Benefits)	5,047
6,961	Department of Communities and Local Government	16,411
0	Department for Education	1,598
18,087	Balance Carried forward	30,192

There are no doubtful debts included within these figures. In contrast the Council owed money in respect:

2009/10		2010/11
£000's	<u>Money Owed by SCC</u>	£000's
4,302	National Insurance & PAYE	4,132
4,113	Local Government Superannuation	4,304
893	Teacher's Superannuation	1,009
2,715	Department for Education	4,586
5,222	Department of Communities and Local Government	3,552
17,245	Balance Carried forward	17,583

NOTES TO THE CORE FINANCIAL STATEMENTS

34. Capital Expenditure

Capital expenditure and how it was financed is analysed below:

<u>CAPITAL EXPENDITURE AND FINANCING</u>		
	2009/10 £000's	2010/11 £000's
Opening Capital Financing Requirement - Restated	280,018	298,150
<i>Capital Investment</i>		
Intangible assets	140	853
Property Plant & Equipment	77,731	105,426
PFI Scheme - Street Lighting		2,314
Revenue Expenditure Funded from Capital under Statute	7,823	20,511
Equal Pay Provision		
<i>Sources of Finance</i>		
Capital Receipts	(6,744)	(3,798)
Government grants & other contributions	(38,161)	(51,827)
Direct Revenue Financing	(14,242)	(13,843)
MRP	(8,427)	(9,662)
Other Adjustments	12	
Closing Capital Financing Requirement	298,150	348,124
<i>Explanation of movements in year</i>		
Increase in underlying need to borrow (supported by Government financial assistance)	10,416	8,336
Equal Pay Capitalisation Direction		
Increase in underlying need to borrow (unsupported by Government financial assistance)	16,131	48,986
MRP	(8,427)	(9,662)
PFI Schemes	0	2,314
Other Adjustments	12	
<i>Increase/(decrease) in Capital Financing Requirement</i>	18,132	49,974

The Capital Financing Requirement has been restated as a result of the requirement report in accordance with International Financial Reporting Standards.

Equal Pay Provision

The Council applied a Capitalisation Direction received from the Secretary of State, in the 09/10 Financial Statements, enabling the Equal Pay Provision to be capitalised.

However, in accordance with paragraph 97 of Financial Reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Assets), the Council has chosen not to disclose the information usually be required to be shown within Financial Statements in relation to the Equal Pay Provision. This is based on the advice of the Monitoring Officer that to disclose the information would seriously prejudice the Council's position with regard to ongoing litigation.

NOTES TO THE CORE FINANCIAL STATEMENTS

35. Leases

Council as Lessee

Finance Leases

The Council has acquired a number of Plant and Equipment Assets under finance leases. The assets acquired under these leases are carried as Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2010 £000's	31 March 2011 £000's
Other Land and Buildings		
Vehicles, Plant, Furniture and Equipment	4,684	3,162
	<u>4,684</u>	<u>3,162</u>

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2010 £000's	31 March 2011 £000's
Finance Lease liabilities (net present value of minimum lease payments):		
Current	1,394	1,018
Non Current	2,769	1,751
Finance Costs payable in future years	312	154
Minimum Lease Payments	<u>4,475</u>	<u>2,923</u>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2010 £000's	31 March 2011 £000's	31 March 2010 £000's	31 March 2011 £000's
Finance Lease liabilities (net present value of minimum lease payments):				
Not later than one year	1,552	1,117	1,394	1,018
Later than one year and not later than five years	2,914	1,804	2,761	1,749
Later than five years	9	2	8	2
Minimum Lease Payments	<u>4,475</u>	<u>2,923</u>	<u>4,163</u>	<u>2,769</u>

There were no material contingent rents payable on the above Finance Leases by the Council in either 2009/10 or 2010/11.

NOTES TO THE CORE FINANCIAL STATEMENTS

Operating Leases

The Council has acquired various vehicles and equipment by entering into operating leases, with typical lives of 5 years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31.03.10	31.03.11
	£000's	£000's
Not later than one year	199	96
Later than one year and not later than five years	162	66
Later than five years	0	0
	361	162

Council as a Lessor

Finance Leases

The Council has not entered into any Finance Leases whereby they are the lessor.

Operating Leases

The Council leases property and equipment under operating leases for the following purposes:

- For the provision of community services, such as tourism services and community centres;
- For economic development purposes to provide suitable affordable accommodation for local businesses; and
- For Investment purposes

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2010 £000's	31 March 2011 £000's
Not later than one year	7,039	6,612
Later than one year and not later than five years	20,044	21,561
Later than five years	1,442,161	1,748,647
	1,469,244	1,776,820

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There are no contingent rents receivable by the Council at 31 March 2011 and 31 March 2010.

36. PFI and Similar Contracts

The Council is currently involved with five PFI and Similar Contracts, three of which require to be accounted for on Balance Sheet in accordance with our Accounting Policy – PFI schools, Hampshire Waste Management Contract, PFI Street Lighting, and two which are not – Northlands & Oak Lodge Nursing Homes run by BUPA Care Homes Limited.

NOTES TO THE CORE FINANCIAL STATEMENTS

On Balance Sheet

PFI Schools

A PFI project was approved by the government to significantly improve the quality of the buildings in three of the City's secondary schools and also to provide additional places in two of them. The works were procured under the PFI whereby a consortium of private sector companies, known as Pyramid Schools (Southampton) Ltd, designed, built, financed and now operate the schools. The contract start date was 29 October 2001 and will terminate on 31 August 2031. The estimated capital value of these schemes is £37M.

The consortium provides building related services such as cleaning, care-taking and repairs, but teaching and curriculum related staff continue to be employed directly by the Council. The Council started to pay an annual fee to the consortium following the completion of the first school during the 2005/06 financial year. The fee, known as the 'Unitary Charge,' covers both the running costs of the school buildings and the cost of building the schools. All three schools are open.

The cost of the project is being met partly through additional grant from Central Government and partly through existing budgets (either from budgets delegated to the schools concerned or controlled by the Council).

Hampshire Waste Contract

At the end of the 1980s it became evident that Hampshire was facing a waste disposal crisis. Landfill space was rapidly running out, incinerators build in the 1970's were not going to meet EU emission regulations and waste levels were continuing to rise.

In 1995 the Hampshire Waste Strategy was adopted which led to Project Integra, which is a unique partnership between the Council, Hampshire County Council, Portsmouth City Council, the 11 District Councils, and Veolia Environmental Services.

In 1996 the Council (11.48%) entered into a tri-partite arrangement with Hampshire County Council (77%) and Portsmouth City Council (11.52%), in respect of the provision of Waste Management Services from Veolia Environment Services. Although this arrangement was entered into pre PFI it requires to be accounted for as an on Balance Sheet PFI type arrangement under IFRIC 12 Service Concessions.

Broadly the services contract involved the building and running of three Energy Recovery Facilities (ERFs) and two Material Recycling Facilities (MRFs), and the provision of Waste Management Services within Hampshire for a 25 year period. Southampton and Portsmouth City Councils have worked with Hampshire County Council, as the lead authority, to calculate the fair value of the Assets built for the servicing of the Waste Management Contract. The Council has accounted for it's share of the Assets (11.48%) on the basis of its share of the Annual Unitary Charge.

PFI Street Lighting

With effect from 1 April 2010, the Council has entered into a 25 year PFI contract with Tay Valley Lighting to provide the city's street lighting services. Over the initial 5 years of the contract, the contractor will replace all life expired apparatus with new energy-efficient apparatus. This 'core investment programme' has a capital value of £26M and includes the replacement of 17,000 of the city's 28,000 street lights and associated apparatus. The contractor will also be responsible for the operation and maintenance to agreed performance standards of all apparatus (new and existing) for the life of the contract. The Council pays a single fee to the contractor for these services (capital investment, operation and maintenance). Payment of this 'unitary charge' is funded partly through a PFI annuity grant received from central government and partly through existing Council budgets for street lighting.

Off Balance Sheet

BUPA Care Homes - Northlands, & Oak Lodge Nursing Homes

The purpose of these Public Private Partnership (PPP) projects is to increase the number of nursing care beds within the city and in turn secure under a block contract the Council's accessibility to the beds. The private sector partner for this PPP is BUPA Care Homes Ltd. The Council has agreed to lease the land on which the nursing homes have been built to BUPA for nil consideration for the duration of 50 years.

NOTES TO THE CORE FINANCIAL STATEMENTS

BUPA manage both the property and service provision. The Council is not involved in direct service management or providing any staff. The Council has block contracts for 25 years (Northlands – July 2005 – July 2030 & Oak Lodge Feb 2010 – Feb 2035) to purchase beds (Northlands 72 of 101, and Oak Lodge 40 of 71) at the Nursing Homes annually. Payment is made monthly to BUPA, based on the 'Unitary Charge', which is the price per bed per week.

A review of these arrangements indicates that they do not require to be accounted for as On Balance Sheet PFI schemes as the Council does not control the residual interest of the Assets (Nursing Homes) at the end of the 25 year service concession period.

The PFI and IFRIC 12 Service Concessions that are included within Fixed Asset Balances are as follows:

	PFI - Schools £000's	Hampshire Waste Contract £000's	PFI - Street Lighting £000's	Total £000's
Cost or Valuation				
At 1 April 2010	50,893	13,966		64,859
Additions			2,314	2,314
Disposals				0
Revaluations	7,486			7,486
Impairments				0
At 31 March 2011	58,379	13,966	2,314	74,659
Depreciation & Impairment				
At 1 April 2010	(2,213)	(1,652)		(3,865)
Depreciation Charge for the Year	(1,327)	(826)		(2,153)
Disposals				0
Revaluations	2,213			2,213
Impairments				0
At 31 March 2011	(1,327)	(2,478)	0	(3,805)
Balance Sheet amount at 31 March 2011	57,052	11,488	2,314	70,854
Balance Sheet amount at 1 April 2010	48,680	12,314	0	60,994

The Finance Creditor associated with the above schemes within the Balance Sheet is as follows:

	PFI - Schools £000's	Hampshire Waste Contract £000's	PFI - Street Lighting £000's	Total £000's
Balance 1 April 2010	37,942	12,359		50,301
New Schemes in 10/11			2,314	2,314
Repayments	(874)	(461)	(711)	(2,046)
Balance 31 March 2011	37,068	11,898	1,603	50,569
Due within 1 Year				
Balance 1 April 2010	874	461	711	2,046
Repayments	(874)	(461)	(711)	(2,046)
Due within 1 Year	925	538	655	2,118
Balance 31 March 2011	925	538	655	2,118
Long Term Creditor Balance 31 March 2011	36,143	11,360	948	48,451

NOTES TO THE CORE FINANCIAL STATEMENTS

The Future Obligations in respect of the three on Balance Sheet PFI / IFRIC 12 Service Concessions are as follows:

	PFI - Schools			Hampshire Waste			PFI - Street Lighting			Total £000's
	Liability	Interest	Service Charges	Liability	Interest	Service Charges	Liability	Interest	Service Charges	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
within 1 year	925	3,150	1,844	538	949	5,155	655	485	1,073	14,774
within 2 to 5 years	3,202	11,968	9,626	2,616	3,330	22,644	1,315	7,584	4,504	66,789
within 6 to 10 years	6,188	13,041	13,238	4,634	2,799	31,092	1,831	12,417	6,040	91,280
within 11 to 15 years	9,953	9,880	14,381	4,074	751	30,592	3,888	10,941	6,893	91,353
within 16 to 20 years	15,163	4,910	16,070				7,387	8,002	7,868	59,400
within 21 to 25 years	1,637	139	5,701				10,033	2,663	7,089	27,262
Balance 31 March 2011	37,068	43,088	60,860	11,862	7,829	89,483	25,109	42,092	33,467	350,858

The Future Obligations in respect of the two Off Balance Sheet Public Private Partnerships (PPP) arrangements are as follows:

	BUPA Care Homes		Total £000's
	Northlands	Oak Lodge	
	£000's	£000's	
within 1 year	2,390	1,333	3,724
within 2 to 5 years	9,562	5,334	14,895
within 6 to 10 years	11,952	6,667	18,619
within 11 to 15 years	11,952	6,667	18,619
within 16 to 20 years	10,350	6,667	17,017
within 21 to 25 years	0	5,134	5,134
Balance 31 March 2011	46,206	31,801	78,007

Payments made in 2010/11 in respect of PFI and IFRIC 12 Service Concessions were as follows:

	Liability £000's	Interest £000's	Service Charges £000's	Total £000's
PFI Schools	874	3,224	2,470	6,568
Hampshire Waste	498	989	4,853	6,340
BUPA Care Homes				
Northlands			2,321	2,321
Oak Lodge			1,305	1,305
Totals	1,372	4,213	10,949	16,534

37. Termination Benefits

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £4.1M (£1.3M in 2009/10) in respect of termination payments including redundancy payments and contributions for the early release of pension payable to the pension fund. Of this total, none is payable in 2010/11 (£75,000 in 2009/10) to the Senior Officers as disclosed in **Note 31**.

38. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teacher's Pension scheme, administered by Capita Teacher's Pensions. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded and Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. It is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of this Financial Statements, it is therefore accounted for on the same basis as defined contribution scheme.

In 2010/11 the City Council paid £7.7M to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £7.3M and 14.1%. There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and are detailed in **Note 39** below.

39. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments at the time that employees earn their future entitlement.

The Council participates in two post employment schemes:

- The Local Government Pension Scheme administered locally by Hampshire County Council Pension Fund – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions - this is a defined benefit scheme that is unfunded, Teachers' Pensions use a notional fund basis for calculating employers' contribution rate paid by local education authorities. However, there is no accumulation of investment assets built up to meet pension liabilities. As a result scheme liabilities cannot be attributed to individual local authorities on a consistent and reasonable basis. So in accordance with IAS19, pension costs are recorded as if the scheme was a defined contribution scheme.

Transactions Relating to Post-employment Benefits

In 2010/11, the Council paid an employer's contribution of £23.0M (2009/10 - £22.5M) into Hampshire County Council's Pension Fund, equating to 19.1% of gross pay (2009/10 – 18.6% of gross pay). The contribution rate is determined by the Fund's Actuary, based on triennial valuations. The employers' contributions are related to gross pay and will remain at 19.1% for 2011/12.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves

NOTES TO THE CORE FINANCIAL STATEMENTS

Statement. The table below show the transactions that have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	2009/10	2010/11
	£000's	£000's
Comprehensive Income and Expenditure Statement		
<i>Cost of Services</i>		
Current service costs	15,810	19,820
Past service costs	340	(100,660)
Settlements and curtailments		
<i>Financing and Investment Income and Expenditure</i>		
Interest Cost	40,110	41,550
Expected return on assets in the scheme	(17,590)	(28,150)
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services	38,670	(67,440)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure		
Actuarial (Gains) and Losses	94,850	(14,980)
the Comprehensive Income and Expenditure Statement	133,520	(82,420)
Movement in Reserves Statement		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(38,670)	67,440
<i>Actual amount charged against the General Fund Balance for Pensions in the Year:</i>		
Employers' contributions payable to scheme	22,500	23,020

b) Pension Liabilities and Assets

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March 2011 are as follows:

	Restated	Restated	2008/09	2009/10	2010/11
	2006/07	2007/08	£000's	£000's	£000's
	£000's	£000's			
Present value of funded Liabilities in scheme (LGPS)	(551,180)	(505,100)	(571,440)	(791,560)	(726,930)
Present value of unfunded liabilities (Teachers & LGPS)	(36,160)	(33,170)	(34,740)	(38,680)	(33,900)
Total present value of liabilities	(587,340)	(538,270)	(606,180)	(830,240)	(760,830)
Fair value of Share of Assets in the Fund (as per Accounts)	369,210	373,960	308,210	421,250	457,280
PYA (Change in Accounting Policy)	(540)	(510)			
Restated balance	368,670	373,450	308,210	421,250	457,280
Net Asset / (Liability)	(218,670)	(164,820)	(297,970)	(408,990)	(303,550)

The liabilities show the underlying commitments that the Council has in the long-run to pay retirement benefits. The total liability of £303.6M (2009/10 £409.0M) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean

NOTES TO THE CORE FINANCIAL STATEMENTS

that the financial position of the Council remains healthy. The deficit will be made good over time by increased contributions by the Council and employees over the remaining working life of employees, at a level assessed by the scheme actuary.

c) Assets and liabilities in relation to retirement benefits

The latest actuarial valuation of liabilities took place 31 March 2010 this has been updated by independent actuaries to the Hampshire County Council Pension Fund (the Fund) to take account of the requirements of IAS19 in order to assess the liabilities of the Fund as at 31 March 2011. Movements in liabilities and assets for the year are shown in the following tables:

Reconciliation of present value of scheme liabilities			
Unfunded	Funded Liabilities	Unfunded	Funded Liabilities
2009/10 £000's	2009/10 £000's	2010/11 £000's	2010/11 £000's
(34,740)	(571,440)	(38,680)	(791,560)
	(15,810)		(19,820)
(2,210)	(37,900)	(1,910)	(39,640)
	(7,200)		(7,080)
(4,020)	(176,430)	750	15,150
2,290	17,560	2,270	19,030
	(340)	3,670	96,990
	Curtailments and Settlements		
<u>(38,680)</u>	<u>(791,560)</u>	<u>(33,900)</u>	<u>(726,930)</u>
	Closing Balance at 31 March		

Reconciliation of fair value of schemes assets		Unfunded
Funded Liabilities		2010/11
2009/10		£000's
£000's		
308,210	Opening Balance at 1 April	421,250
17,590	Expected Rate of Return	28,150
85,600	Actuarial (Losses)/ Gain on assets	(920)
20,210	Contributions	20,750
7,200	Contributions by participants	7,080
(17,560)	Net benefits paid out	(19,030)
	Curtailments and Settlements	
<u>421,250</u>	Closing Balance 31 March	<u>457,280</u>

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £25.2M.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

NOTES TO THE CORE FINANCIAL STATEMENTS

The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for IAS19 purposes were:

	2009/10	2010/11
	Years	Years
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	22.3	23.8
Women	24.3	24.8
Longevity at 65 for future pensioners (currently aged 45):		
Men	24.7	25.6
Women	26.5	26.7
RPI Inflation	3.9%	3.7%
CPI Inflation	NA	2.8%
Rate of general long-term increase in salaries	5.4%	5.2%
Rate of increase in pensions in payment	3.9%	2.8%
Rate of increase to deferred pensions	3.9%	2.8%
Discount rate	5.5%	5.4%
Commutation:		
Take-up option to convert maximum amount permitted pre 1 April 2008 pension entitlements	25.0%	25.0%
Take-up option to convert maximum amount permitted post 31 March 2008 pension entitlements	75.0%	75.0%

Expected Return on Assets

The Council employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns with consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the asset allocation for the fund at 31st March 2011.

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below. Also shown are the assumed rates of return for IAS19 purposes:

	Long-term rate of return expected at 31 March 2010	Asset split at 31 March 2010	Long-term rate of return expected at 31 March 2011	Asset split at 31 March 2011
	(% pa)	(%)	(% pa)	(%)
Equities	8.0	61.3	8.4	63.4
Property	8.5	6.1	7.9	7.3
Government Bonds	4.5	24.4	4.4	23.3
Corporate Bonds	5.5	2.4	5.1	1.7
Cash	0.7	5.8	1.5	4.3
Other Assets	8.0	0.0	8.4	0.0
Total	6.7	100.0	7.1	100.0

NOTES TO THE CORE FINANCIAL STATEMENTS

d) Actuarial Gain / Losses Relating to Pensions

The actuarial gains identified as movements on the pensions Reserve in 2010/11 and are analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2011:

<u>Actuarial Gain/(Loss) for Year</u>											
	<u>2006/07</u>		<u>2007/08</u>		<u>2008/09</u>		<u>2009/10</u>		<u>2010/11</u>		
	£000's	%	£000's	%	£000's	%	£000's	%	£000's	%	
Difference between the expected and actual return on assets	(490)	(1.0)	(32,240)	(8.6)	(102,840)	(33.4)	85,600	20.3	(920)	(0.2)	of scheme assets
Experience gains and losses on pension liabilities	(1,290)	(2.0)	(3,030)	(0.6)	(2,060)	(0.3)	6,610	0.8	3,240	0.4	of scheme liabilities
Changes in assumptions underlying the present value of pension liabilities	4,040	7.0	101,490	18.9	(23,340)	(3.9)	(187,060)	(22.5)	12,660	1.7	of scheme liabilities
	<u>2,260</u>		<u>66,220</u>		<u>(128,240)</u>		<u>(94,850)</u>		<u>14,980</u>		

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a loss of £216.5M.

Further information can be found in the actuary's valuation report and Hampshire County Council's Pension Fund Annual Report, which are available from the County Treasurer, The Castle, Winchester, Hampshire, SO23 8UB.

40. Contingent Liabilities

Contingent Liabilities are potential liabilities, which are not currently legally enforceable but may become so on the happening of a future event.

Health and Safety - Asbestos

The Council has a legal duty under Health and Safety legislation to protect its employees, contractors, tenants and other people from the effects of inhaling asbestos. In 1997/98, an asbestos policy was implemented which created an asbestos unit. In establishing the policy, costs were identified on the most up-to-date information available. Given the nature of the problem, it is possible that further costs will arise in the future, which at this stage cannot be ascertained.

Concessionary Fares

The Council has been notified of two claims under our Concessionary Fares scheme for specific additional costs 'to cover the costs of providing additional vehicle capacity to cope with growth in patronage brought about concessionary travel'. The two claims are from Go South Coast (£0.62M) and First Hampshire Dorset (0.48M). The Council does not have sufficient information from the two operators to substantiate the claims.

Employment Tribunal

The Council was notified in early April that, Unison, Unite and UCATT had issued an Employment Tribunal claim regarding procedural issues around consultation of the proposed 2011/12 budget savings. The maximum potential liability if the claim is successful would be approximately £12.6M. The Council refutes the claim in full, asserts that no award should be made, and has submitted 'Grounds of Resistance' to the Employment Tribunal.

Thornhill Plus You

The Thornhill Plus You (New Deal for Communities - NDC) succession plan for the successor body PYL (Plus You Limited) has not been signed off as at the 31 March 2011. Therefore, there is a potential contingent liability if the DCLG (Department for Communities and Local Government) do not to agree to the succession plan and reclaim an element of the grant that has previously been paid to the Council as

the Accountable Body under the rules of NDC. The Council is confident that the succession plan will be signed off.

41. Interest in Companies

The Council reviews annually any interests in Companies and Other Entities for any Financial Relationships which under the Code's classification would require the Council to produce Group Accounts.

The Solent Local Enterprise Partnership

The Solent Local Enterprise Partnership has recently been established, consisting of 14 Board Members of which the Council has 1 representative. The Board meet for the first time on 20 May 2011.

In 2010/11 there were no relationships which would require the Council to produce Group Accounts.

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) summarises the transactions relating to the provision, maintenance and sales of Council houses and flats. Although this account is also included within the Core Financial Statements it represents such a significant proportion of the services provided by the Council that it is a requirement that it has a separate account. The account has to be self-financing and there is a legal prohibition on cross subsidising to, or from the Council Tax payer.

Transactions relating to the HRA have been separated into two statements:

- The HRA Comprehensive Income and Expenditure Statement
- The Statement of Movement on the HRA Balance

Comprehensive Income and Expenditure Statement

<u>2009/10</u> <u>Restated</u>			<u>2010/11</u>
£000's	<u>Expenditure</u>	<u>Notes</u>	£000's
14,794	Repairs and Maintenance	1	15,210
14,569	Supervision and Management		15,395
4,088	Rents, Rates, Taxes and Other Charges		4,676
4,108	Negative Housing Revenue Account Subsidy Payable	8	8,677
(7,203)	Depreciation Revaluation and Impairment of non-current assets	7	234,087
46	Debt management costs		42
403	Movement in the allowance for bad debts		472
	Exceptional Item to Credit Past Pension Costs	12	(9,826)
30,805	Total Expenditure		268,733
	<u>Income</u>		
(56,166)	Dwellings Rent		(56,999)
(1,359)	Non-Dwelling Rents		(1,254)
(4,693)	Tenant Charges for Services & Facilities		(5,444)
172	Contributions Towards Expenditure		29
(62,046)	Total Income		(63,668)
	Net cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		205,065
(31,241)	HRA services' share of Corporate and Democratic Core		351
(30,888)	Net Cost/ (Income) for HRA Services		205,416
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(71)	Capital Receipts not matched by Disposal of Assets		(70)
1,419	Investment Property Revaluation Movements		424
1,419	Interest payable and similar charges		2,047
(82)	Interest and investment income	6	(40)
2,214	Pensions interest cost and expected return on pension assets	12	1,308
(2,048)	Capital grants and contributions receivable		(5,741)
(28,037)	(Surplus) or deficit for the year on HRA services		203,344

HOUSING REVENUE ACCOUNT

Statement of Movement on the HRA Balance

<u>2009/10</u> <u>Restated</u> £000's		<u>2010/11</u> £000's
(2,388)	Balance on the HRA at the end of the previous year	(1,589)
(28,037)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	203,344
32,668	Adjustments between accounting basis and funding basis under statute	(198,806)
4,631	(Increase) or decrease in the Housing Revenue Account balance before transfers to or from reserves.	4,538
(3,832)	Transfer to or (from) reserves	(4,573)
799	(Increase) or decrease in year on the HRA	(35)
<u>(1,589)</u>	Housing Revenue Account surplus carried forward	<u>(1,624)</u>

Note to Statement of Movement on the HRA Balance

<u>2009/10</u> <u>Restated</u> £000's		<u>2010/11</u> £000's	<u>2010/11</u> £000's
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
71	Capital Receipts not matched by Disposal of Assets	70	
2,048	Capital grants and contributions applied	6,334	
386	Removal of HRA Effective Interest Rate Calculation	103	
(83)	Amortisation of Item 8 Discount	(83)	
20,914	Impairment and Revaluation of Fixed Assets	(224,049)	
0	Gain or loss on sale of HRA fixed assets	0	
(3,801)	Net Charges made for retirement benefits in accordance with IAS 19	6,583	
<u>19,535</u>			(211,042)
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
(68)	Transfer to/(from) Major Repairs Reserve	(68)	
2,212	Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	2,248	
10,989	Capital Expenditure funded by the HRA	10,056	
<u>13,133</u>			12,236
<u>32,668</u>	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		<u>(198,806)</u>

HOUSING REVENUE ACCOUNT

1. Prior Year Adjustment & Exceptional Items

HRA 09/10 Revaluation Increase

In addition, to the Restatements required for IFRS purposes, it was identified that the HRA Revaluation increase in 2009/10 of approximately £22.3M had been incorrectly credited to the Revaluation Reserve when it should have been credited to the HRA Income & Expenditure Account to reverse 2008/09 impairments. Depreciation Revaluation and Impairment of non-current assets comparative has been appropriately adjusted.

Pension Fund Indexation Change

In its budget on 22nd June 2010 the Government announced that future increases in public sector pensions will reflect movements in the Consumer Price Index (CPI), effective from April 2011. Increases were previously determined by reference to the Retail Price Index (RPI).

The rate at which pensions will increase is one of the key factors in determining the liabilities of defined benefit pension funds. Any change in the rate at which pensions will increase will therefore affect the value of pension fund liabilities. The CPI differs from, and tends to be lower than, the RPI. The change from RPI to CPI has resulted in a reduction in the pensions liabilities and therefore the pension deficit on the balance sheet.

The £9.9M of the £100.7M reduction in liabilities, due to the above change, relating to the HRA has been accounted for as a (negative) past service cost, and has been treated as an exceptional item within the HRA Income and Expenditure Statement.

2. Council House Rents

At 31 March 2011, current tenants arrears as a proportion of dwelling rents collectable net of Rent Rebates was 6.32% (31 March 2010 - 4.89%). The total arrears were £2.796M (31 March 2010 - £2.555M). Rents written off during the year amounted to £0.403Mk (last year £0.46M).

The main sources of rent income after allowing for voids of £847k (last year £624k) are set out in the following table:

<u>2009/10</u> <u>Restated</u> £000's		<u>2010/11</u> £000's
22,610	Rent met by Tenants	22,693
33,556	Rent Rebates	34,306
<u>56,166</u>		<u>56,999</u>

3. Housing Stock

During the year 1.71% (1.40% for 2009/10) of lettable properties were vacant. Since 2003/04 service charges and supporting people charges have been charged separately from rents. The average rent for 2010/11 was £65.15 a week (£63.57 for 2009/10). The stock at the year-end was made up as follows:

<u>2009/10</u> <u>Restated</u>		<u>2010/11</u>
17,199	Stock at 1 April	17,064
(28)	Less: Sales	(35)
(107)	Other/Demolitions	(77)
<u>17,064</u>	Stock at 31 March	<u>16,952</u>
<u>Consisting of:</u>		
5,450	Houses	5,435
11,598	Flats	11,501
16	Bungalows	16
<u>17,064</u>		<u>16,952</u>

HOUSING REVENUE ACCOUNT

4. Major Repairs Reserve

<u>Total</u> <u>2009/10</u> £000's		<u>Land</u> <u>2010/11</u> £000's	<u>Dwellings</u> <u>2010/11</u> £000's	<u>Other</u> <u>2010/11</u> £000's	<u>Total</u> <u>2010/11</u> £000's
0	Opening Balance	0	0	0	0
(15,129)	Receipts in Year	0	(10,394)	(68)	(10,462)
15,129	Payments in Year	0	10,394	68	10,462
<u>0</u>	Closing Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

5. Capital Expenditure

Capital expenditure and how it was financed is analysed in the following tables:

<u>Capital Spending</u>		
<u>2009/10</u> <u>Restated</u> £000's		<u>2010/11</u> £000's
29,589	Housing Stock	33,584
6	Other Property	0
<u>29,595</u>	Total Capital Expenditure	<u>33,584</u>
<u>Capital Expenditure Source of Finance</u>		
£000's		£000's
0	Capital Receipts	0
1,496	Supported Borrowing	1,496
0	Unsupported Borrowing	5,304
1,878	Grants	6,101
15,061	Transfer from Major Repairs Reserves	10,394
171	Contributions	233
10,989	Direct Revenue Funding	10,056
<u>29,595</u>	Total Financing	<u>33,584</u>

6. Capital Receipts

Capital Receipts are generated from the sale of fixed assets. The following table shows receipts and how they have been utilised in the year. In 2005/06 the government introduced 'capital receipts pooling' whereby local authorities pay the 'reserved part' of HRA capital receipts into a national pool that the government then distributes to local authorities and housing associations on the basis of need. Generally, authorities pay the government 75% of the proceeds from the sale of Council Houses and 50% from the sale of other HRA assets. However, authorities are able to keep all the proceeds from certain HRA assets where they are used to fund affordable housing or regeneration schemes:

HOUSING REVENUE ACCOUNT

<u>2009/10</u> <u>Restated</u>		<u>2010/11</u>
£000's		£000's
161	Opening Balance at 1st April	495
	Receipts in Year:-	
	Sale of Assets	
2,285	Council Housing	2,010
389	Land, Buildings & Equipment	222
34	Repayment of Advances	17
2,869		2,744
(71)	Allowable deduction arising from Disposal	(70)
2,798		2,674
	Application in Year:-	
(599)	Inter Portfolio Transfer	(550)
0	Financing of new HRA Capital Expenditure	0
(1,704)	Pooled Receipts	(1,408)
0	Other Adjustments	0
<u>495</u>	Closing Balance at 31st March	<u>716</u>

7. Interest Received

During 2010/11 the Housing Revenue Account received interest amounting to £40k, (2009/10 £82k). The main sources of this income are detailed in the table below.

<u>2009/10</u> <u>Restated</u>		<u>2010/11</u>
£000's		£000's
3	Council House Mortgages	2
79	Interest on Other Funds & Balances	38
<u>82</u>		<u>40</u>

8. Fixed Assets

The DETR Guidance of Stock Valuation requires that the housing stock be valued as Existing Use Value – Social Housing (EUV-SH), and the guidance prescribes the regional adjustment factors that valuers are expected to use to convert a vacant possession beacon valuation to an EUV-SH valuation. The basis of valuation is explained in more detail in **Accounting Policies (note 1t)**.

The vacant possession value of Council Housing within the Council's HRA as at 1 April 2010 was £1.315M, which is the Council's estimate of the total sum it would receive if the assets were sold on the open market. The Balance Sheet value is calculated on the basis of rents receivable on existing tenancies. These are less than the rent that would be obtainable on the open market and the Balance Sheet is therefore lower than the Vacant Possession Valuation. The difference between the two shows the economic cost to the Government of providing Council housing at less than open market value. The value is based on stock as at the 31 March 2011.

Stock valuation information is based as at 1 April of each year and as part of resource accounting requirements, the value is uplifted to represent the value at the 31 March by the Southampton land registry index.

HOUSING REVENUE ACCOUNT

Movements in Fixed Assets During 2010/11					
	Property, Plant and Equipment			Investment	
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Investment	Total
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2010	697,606	5,215	648	8,353	711,822
Additions	33,584	742			34,326
Disposals	(1,835)				(1,835)
Reclassifications		242			242
Revaluations	(215,709)	(1,261)		(351)	(217,321)
Impairments	(6,610)	(45)		(73)	(6,728)
At 31 March 2011	507,036	4,893	648	7,929	520,506
Depreciation and Impairment					
At 1 April 2010			(239)		(239)
Depreciation charge for 2010/11	(10,394)		(68)		(10,462)
Disposals					0
Reclassifications					0
Revaluations					0
Impairments					0
At 31st March 2011	(10,394)	0	(307)	0	(10,701)
Balance Sheet amount at 31st March 2011	496,642	4,893	341	7,929	509,805
Balance Sheet amount at 31st March 2010	697,606	5,215	409	8,353	711,583
Nature of Asset Holding					
Owned	496,642	4,893	341	7,929	509,805
Finance Lease					0
PFI					0
	496,642	4,893	341	7,929 0	509,805

9. General Housing Subsidy

The Government pays a General Housing Subsidy to the Housing Revenue Account. This is based on a notional account representing the Government's assessment of what the Council should be collecting and spending. With effect from the 1 April 2004 Rent Rebate Subsidy was removed from the HRA and is now charged to the General Fund. The HRA therefore now only receives General Housing Subsidy.

The table below shows a breakdown of the amount of HRA subsidy payable to the Council for 2010/11 in accordance with the elements set out in the general formula in paragraph 3.1 of the General Determination of HRA Subsidy for 2010/11:

HOUSING REVENUE ACCOUNT

<u>2009/10</u> <u>Restated</u>		<u>2010/11</u>	
£000's	£000's	£000's	£000's
	Housing Defects Act		
	Housing Subsidy Entitlement in Year		
	33,387 Management and Maintenance	34,689	
	15,061 Major Repairs Allowance	10,394	
	2,343 Charges for Capital	2,859	
	0 Admissible Allowance	0	
	0 Anti Social Behaviour Allowance	0	
	1,168 Caps & Limits Adjustment	1,112	
	(7) Interest on Receipts	(2)	
	<u>(56,059)</u> Guideline Rent Income	<u>(57,729)</u>	
(4,107)			(8,677)
(1)	Previous Years Subsidy Adjustment		0
<u><u>(4,108)</u></u>	Total Housing Subsidy		<u><u>(8,677)</u></u>

10. Impairment Allowance for Bad Debts

The table below shows a breakdown of the amount that has been set aside for the provision of bad debts:

<u>2009/10</u> <u>Restated</u>		<u>2010/11</u>
£000's		£000's
456	MRC Bad Debt Provision	628
<u>1,385</u>	Rents Bad Debt Provision	<u>1,231</u>
<u><u>1,841</u></u>		<u><u>1,859</u></u>

11. Minimum Revenue Provision (MRP)

The introduction of the 2003 Local Government Act abolished the statutory requirement for the HRA to make a revenue contribution towards the repayment of debt. The impact of this will be higher levels of future outstanding debt.

12. Direct Revenue Financing Reserve

The table below shows the balances available to support HRA capital expenditure.

<u>2009/10</u> <u>Restated</u>		<u>2010/11</u>
£000's		£000's
	Direct Revenue Financing Reserve	
(10,114)	Direct Revenue Financing Balance Brought Forward	(6,282)
(7,157)	Contribution From Revenue In Year	(6,076)
10,989	Applied for Capital	10,056
<u><u>(6,282)</u></u>	Balance Carried Forward	<u><u>(2,302)</u></u>

13. Pensions

Under IAS19 the Council has the option to charge part of the pension costs to the HRA. It was decided to implement this option from the 1 April 2005. The table below shows the total HRA share of contributions to and from the Pension Reserve and breaks the figure down to show the type of contribution to or from

HOUSING REVENUE ACCOUNT

the reserve. There is an exceptional item of £9.826M to account for the change in the indexation factor from RPI to CPI See Note 1.

<u>Local Government Pension Scheme</u>				
	2009/10		2010/11	
	£000's	£000's	£000's	£000's
Income and Expenditure Account				
<i>Net Cost of Service</i>				
Current service costs		1,554		1,935
Past service costs		34		(9,825)
<i>Net Operating Expenditure</i>				
Interest Cost	3,943		4,056	
Expected return on assets in the scheme	<u>(1,729)</u>	2,214	<u>(2,748)</u>	1,308
<u>Amounts to be met from HRA</u>				
Movement on pensions reserve		(1,590)		8,830
<u>Actual amount charged against HRA</u>				
Employer's contributions payable to scheme		<u>2,212</u>		<u>2,248</u>

THE COLLECTION FUND

This account reflects the statutory requirements for the Council, as a billing authority to maintain a separate Collection Fund. It shows the transactions of the billing authority in relation to national non-domestic rates (NNDR) and the Council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated within the accounts.

Income and Expenditure for the Year Ended 31 March 2011				
2009/10	Notes	2010/11		
£000's		£000's	£000's	
Income				
(77,255) Council Tax	2	(78,644)		
Transfers from the General Fund				
(17,436) - Council Tax Benefits	3	(18,214)		
(879) - Local Council Tax Discount		(950)		
- Transitional Relief				
(95,570)			(97,808)	
(92,358) Income Collectable from Business Ratepayers			(83,688)	
Contributions towards Previous Year's (Deficit)/ Surplus				
1,537 - Southampton City Council			1,142	
177 - Hampshire Police Authority			134	
76 - Hampshire Fire & Rescue Service			57	
(186,138) Total Income			(180,163)	
Expenditure				
Precepts				
79,383 - Southampton City Council Precept	4	81,994		
9,331 - Hampshire Police Authority Precept	4	9,677		
3,960 - Hampshire Fire & Rescue Authority Precept	4	4,062		
92,674			95,733	
Business Rates				
90,357 - Payment to National Pool		81,857		
195 - Interest on Overpayments		230		
329 - Costs of Collection	5	326		
90,881			82,413	
Bad and Doubtful Debts				
Council Tax				
979 - Write Offs	6	1,186		
81 - Provisions	6	(482)		
1,060			704	
Business Rates				
1,123 - Write Offs	6	1,169		
354 - Provisions	6	106		
1,477			1,275	
186,092 Total Expenditure			180,125	
(46) (Surplus) / Deficit For the Year			(38)	
(4,001) (Surplus) / Deficit Brought Forward			(4,047)	
Prior Year Adjustment				
(4,001) Restated (Surplus)/ Deficit Brought Forward			(4,047)	
(4,047) Total (Surplus) / Deficit			(4,085)	

THE COLLECTION FUND

1. Non-Domestic Rates

Southampton City Council collects national non-domestic rates (NNDR) for its area on behalf of central government. These rates are based on rateable values for properties set by the Valuation Office Agency, part of HM Revenues and Customs, which are multiplied by a uniform business rate set by central government. The uniform business rate was set at 41.4p in the pound for 2010/11 (48.5p for 2009/10). The small business rate relief multiplier for 2010/11 is 40.7p in the pound (48.1p for 2009/10). The rateable value at 31 March 2011 was £263.9M (£221.8M at 31 March 2010). The total amount due, after adjusting for certain reliefs and other deductions, is paid into a central pool managed by central government. The government redistributes the sums paid into the pool back to local authorities in proportion to population. Southampton's share of the pool for 2010/11, paid directly to the Comprehensive Income and Expenditure Statement, amounted to £87.4M (£79.8M for 2009/10).

2. Council Tax Base

<u>Council Tax Base</u>			
	<u>Net Chargeable Dwellings</u>	<u>Relevant Proportion</u>	<u>Band D Equivalents</u>
Band A Dis	57	5/9	32
Band A	23,853	6/9	15,902
Band B	27,614	7/9	21,478
Band C	18,581	8/9	16,516
Band D	7,829	9/9	7,829
Band E	2,589	11/9	3,164
Band F	1,226	13/9	1,771
Band G	369	15/9	615
Band H	2	18/9	4
	<u>82,120</u>		<u>67,311</u>

Taking the total Band D equivalents of 67,311 and multiplying this by the standard Council Tax of £1,446.84 gives a total estimated income from taxpayers of £97.4M. The income due from tax payers, as shown in the accounts, is net of benefits, exemptions and discounts granted.

The number of Band D equivalents is then adjusted for the estimated collection rate for the year, which for 2010/11 was 98.3%, giving a net Council Tax Base of 66,167. Multiplying this by the standard Council tax of £1,446.84 gives the total precepts on the Collection Fund of £95.7M.

3. Benefits

Some households are entitled to allowances to the standard rate of Tax, which includes Council Tax Benefits. The cost of benefits granted is met in full by government subsidy.

4. Precepts

The Precepts represent the demands made on the Fund by Southampton City Council, Hampshire Police Authority and Hampshire Fire & Rescue Authority.

5. Allowance for NNDR Collection

A contribution to the General Fund is made to meet the costs of collection £0.3M.

THE COLLECTION FUND

6. Impairment Allowance for Bad Debts

The contribution to the Council Tax Impairment Allowance was £0.7M in 2010/11. At the 31 March 2011 the provision totalled £5.1M (SCC share £4.4M) against a liability of £7.5M (SCC share £6.5M).

The contribution to the NNDR Impairment Allowance was £1.3M in 2010/11. At the 31 March 2011 the provision totalled £1.4M against a liability of £3.8M.

7. Collection Fund Balance

The year end balance on the Collection Fund of £4.1M can be apportioned, on the basis of the value of precepts, between that attributable to Southampton City Council and that attributable to the other preceptors. The amount attributable to Southampton City Council is £3.5M and is shown as a revenue balance in the Balance Sheet. The remaining £0.6M attributable to the other preceptors is included within the adjustments required to derive the Council Tax Debtors and Creditors on an Agency Basis.

The movement on the Collection Fund balance between 31 March 2010 and 31 March 2011 was £32.5k. This is shown within the Comprehensive Income and Expenditure Account.

TRUST AND OTHER FUNDS

The Council acts as trustee for legacies left by inhabitants of the City and as residual trustee for the Wessex Slaughterhouse Board. As required by the Statement of Recommended Practice the funds do not represent assets of the Council and have not been included in the Council's Balance Sheet.

Following the introduction of the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005), a separate statement of financial affairs and balance sheet relating to the trust funds are reported in this section.

Other Funds are:

Wessex Slaughterhouse Board – The Council has responsibility of the former constituent authorities to pay the pensions to former employees. Any balance or liability remaining when these responsibilities have been discharged will be shared between the constituent authorities.

Criminal Injuries Compensation Awards – Funds are held on behalf of children under 18 who fall under the Councils supervision.

The Other Funds are analysed as follows:

	<u>2009/10</u> £000's	<u>Receipts</u> £000's	<u>Payments</u> £000's	<u>2010/11</u> £000's
<u>Other Funds</u>				
Wessex Slaughterhouse Board	(100)	(1)	3	(98)
Criminal Injuries Compensation Board	(8)		3	(5)
Total	<u>(108)</u>	<u>(1)</u>	<u>6</u>	<u>(103)</u>

The Trust Funds are:

- **Chipperfield Trust** – Purchase works of art.
- **L. C. Smith Bequests** – Help maintain the Merchants Navy Memorial in Holyrood Church
- **Miss Orris Bequest** – Purchase of pictures for the Art Gallery
- **Aldridge Bequest** – To facilitate the access of disadvantaged pupils to personal enrichment experiences
- **Minor Trust Funds** which consist of several funds of small value as follows:
 - **Ida Bany Bequest** – Purchase books about America
 - **George Knee Fund** – Provision of special annual prizes for Bitterne Park School.
 - **De Gee** – Annual treat for children of the former Hollbrook Children's home.
 - **Dora Linton** - Helps maintain the Merchants Navy Memorial in Holyrood Church.
 - **Cemeteries Legacy** – Helps maintain Cemeteries.
- **Thomas Morgan Bequest** – During 2010/11 the bequest was closed because there were insufficient balances to carry out its purpose of financing a local essay competition. There was a small holding in gilt investments that remained which has been transferred to the Aldridge Bequest.
- **Ida Turnbull Bequest** – During 2010/11 the bequest was closed, because there were no further funds to carry out its purpose which was for the purchase of large print books to be made available for public use.

TRUST AND OTHER FUNDS

Statement of Financial Activities for the year ending 31 March 2011					
2009/10			2010/11		
Net £000's	Trust Funds	Notes	Expenditure £000's	Income £000's	Net £000's
	Resources expended and (incoming resources)	4/5/7			
6	Chipperfield Trust			(4)	(4)
4	LC Smith Bequest				0
(1)	Miss Orris Bequest		31	(1)	30
4	Aldridge Bequest		20	(10)	10
1	Minor Trust Funds				0
14	Total net incoming resources before other recognised gains and losses		51	(15)	36
	Unrealised (gains)/losses on investment assets	6			
6	Chipperfield Trust			(1)	(1)
(21)	Aldridge Bequest			(2)	(2)
(15)	Total Unrealised (gains)/losses on investment assets		0	(3)	(3)
	Net movement in funds				
12	Chipperfield Trust				(5)
4	LC Smith Bequest				0
(1)	Miss Orris Bequest				30
(17)	Aldridge Bequest				8
1	Minor Trust Funds				0
(1)	Total net movement in funds				33
	Reconciliation of funds			Net movement in funds	Total funds Carried Forward
	Total Funds brought forward				
(138)	Chipperfield Trust			(5)	(143)
(33)	LC Smith Bequest				(33)
(148)	Miss Orris Bequest			30	(118)
(358)	Aldridge Bequest			8	(350)
(39)	Minor Trust Funds				(39)
(716)	Total Funds carried forward			33	(683)

TRUST AND OTHER FUNDS

Balance Sheet as at 31 March 2011		
2009/10 £000's		2010/11 £000's
	Fixed Assets	
	Investments	
64	Chipperfield Trust	65
188	Aldridge Bequest	190
4	Minor Trust Funds	4
256	Total Fixed Assets	259
	Currents Assets	
	Internal Investments Accounts	
72	Chipperfield Trust	76
33	LC Smith Bequest	33
148	Miss Orris Bequest	118
170	Aldridge Bequest	160
35	Minor Trust Funds	35
458	Total Investment Accounts	422
	Debtors	
2	Chipperfield Trust	2
2	Total Debtors	2
716	Net Current Assets	683
716	Net assets	683
	Trust Funds	
146	Chipperfield Trust	150
(8)	Chipperfield Trust Unrealised Gains/(Losses) Account	(7)
33	LC Smith Bequest	33
148	Miss Orris Bequest	118
278	Aldridge Bequest	268
80	Aldridge Bequest Unrealised Gains/(Losses) Account	82
40	Minor Trust Funds	40
(1)	Minor Trust Funds Unrealised Gains/(Losses) Account	(1)
716		683

TRUST AND OTHER FUNDS

1. Basis of Accounting

The financial statements have been prepared on the basis of historic cost with the exception of investments which are included at market value. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005) and applicable UK Accounting Standards and the Charities Act 1993.

2. Change in the Basis of Accounting

There have been no other changes to the accounting policies (valuation rules and method of accounting) since last year.

3. Changes to previous accounts

There have been no changes.

4. Incoming Resources

All incoming resources are recognised once the charity has entitlement to the resources, it is certain the resources will be received and the monetary value of incoming resources can be measured with sufficient reliability.

5. Investment Income

This is included in the accounts when receivable.

6. Investment Gains and Losses

All gains and losses are taken to the Statement of Financial Activities in the year that they arise. Realised gains and losses on investments are calculated as the difference between sale proceeds and opening market value (purchase date if later). Unrealised gains and losses are calculated as the differences between the market value and opening market value (or purchase date if later).

7. Analysis of Incoming Resources

<u>Analysis of Incoming Resources</u>					
2009/10		2010/11			
Net Total Incoming Resources £ 000's		Sales £ 000's	Other £ 000's	Dividends - Unit Trusts and Gilts £ 000's	Investment Interest * £ 000's
(3)	Chipperfield Trust			(3)	(1)
	LC Smith Bequest				
(1)	Miss Chris Bequest				(1)
(11)	Aldridge Bequest			(9)	(1)
	Minor Trust Funds				
<u>(15)</u>	Total			<u>(12)</u>	<u>(3)</u>
					(15)

* Interest is paid on net fund balances held with the council

8. Other expenditure disclosures

Expenditure for the year was nil for the following items

- Trustees' expenses and emoluments
- Staff costs
- Auditor remuneration

GLOSSARY

1. Accruals

The concept that income and expenditure is recognised as it is earned or incurred; not as money is received or paid.

2. Best Value

A Government initiative introduced in 1998 in a series of pilot projects, and now supported by legislation in 1999, that is aimed at measuring the economy, efficiency and effectiveness of all local authority services.

3. Budget

The Council's aims and policies set out in financial terms against which performance is monitored. Both revenue and capital budgets are prepared.

4. Capital Asset Charges

Charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

5. Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure, which enhances and not merely maintains the value or increases the life of an existing fixed asset.

6. Capital Receipts

The proceeds from the sale of capital assets.

7. Community Assets

Assets that the Council intends to hold in perpetuity and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

8. Consistency

The concept that the accounting treatment of like items within an accounting period, and from one period to the next, is the same.

9. Contingency

A situation which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

10. Council Tax

A local tax levied by a Local Authorities on its citizens.

11. Creditor

Money owed by the Council to others for goods or services that have been supplied in the accounting period but not paid for.

GLOSSARY

12. Debtor

Money owed to the Council for goods or services we have supplied to others that they have received but have not paid for by the end of the accounting period.

13. Depreciation

The measure of wearing out, consumption, or other reduction in the useful economic life of a fixed asset, arising from use, passage of time, obsolescence or other changes.

14. Fair Value

The amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

15. Financial Assets

A right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

16. Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

17. Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability, or equity instrument, of another entity.

18. Financial Liability

An obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

19. Financial Reporting Standard (FRS)

Statements issued by the Accounting Standards Board (ASB) specifying the treatment and disclosure of certain events and transactions in the preparation and publication of accounting statements.

20. Fixed Assets

Tangible assets that benefit the Council and the services it provides for a period of more than one year.

21. General Fund

The division of the Council's accounts covering services paid for by the precept on the Collection Fund (Council Tax).

22. Going Concern

The concept that the Council will remain in operational existence for the foreseeable future, in particular, that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

23. Government Grants

Government assistance whether in the form of cash or transfers of assets in return for compliance with certain conditions relating to the activities of the Council.

24. Housing Revenue Account

The division of the Council's accounts that covers services relating to the provision of Council housing.

25. Impairment

A reduction in the value of a fixed asset as shown in the balance sheet to reflect its true value.

26. Infrastructure Assets

Examples of infrastructure assets are highways, bridges and footpaths.

27. Long Term Investments

An investment that is intended to be held for use on a continuing basis in the activities of the Council.

28. Long-Term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

29. Materiality

This is one of the main accounting concepts. It ensures that the Financial Statements includes all the transactions that, if omitted, would lead to a significant distortion of the financial position at the end of the accounting period.

30. National Non Domestic Rate

Business rate levied on companies, firms etc, collected by Local Authorities and paid to a Central Government 'Pool'.

31. Net Book Value

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

32. Net Current Replacement Cost

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

33. Net Expenditure

Total expenditure for a service less directly related income.

34. Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

35. Non-Operational Assets

Fixed assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

36. Operating Leases

A lease other than a finance lease.

37. Operational Assets

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

38. Post Balance Sheet Events

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Financial Statements is signed by the responsible financial officer.

39. Revenue Expenditure Funded from Capital under Statute

Expenditure which may properly be deferred, but which does not result in a tangible asset. An example of revenue expenditure funded from capital under statute is expenditure on improvement grants. These were previously referred to as deferred charges.

40. Revenue Expenditure/Income

The cost or income associated with the day-to-day running of the services and financing costs.

41. Statement of Standard Accounting Practice (SSAP)

Accountancy practice's recommended by the Major Accounting Bodies. The application of SSAPs to local authorities is reflected in Statements of Recommended Practices (SORP). Most SSAPs have now been superseded by FRSs.

42. Stocks

Comprise the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;

GLOSSARY

- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances; and
- Finished goods.

43. Useful Life

The period over which the Council will derive benefits from the use of a fixed asset.

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